GEFRAN GROUP

SEMI-ANNUAL FINANCIAL REPORT

AT 30 JUNE 2018

SUMMARY

CORPORATE BODIES

Board of Directors

Honorary Chairman	Ennio Franceschetti
CEO	Alberto Bartoli
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti
Director	Romano Gallus
Director	Mario Benito Mazzoleni (*)
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)

Board of Statutory Auditors

Chairman	Marco Gregorini
Standing Auditor	Primo Ceppellini
Standing Auditor	Roberta Dell'Apa
Deputy Auditor	Guido Ballerio
Deputy Auditor	Luisa Anselmi

Control and Risks Committee

- Daniele Piccolo
- Mario Benito Mazzoleni
- Monica Vecchiati

Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Monica Vecchiati

External auditor

PricewaterhouseCoopers S.p.A.

On 21 April 2016, the ordinary shareholders' meeting of Gefran S.p.A. engaged the external auditor PricewaterhouseCoopers S.p.A. to audit the separate annual financial statements of Gefran S.p.A., as well as the consolidated annual and interim financial statements of the Gefran Group for a period of nine years until the approval of the financial statements for 2024, in accordance with Italian Legislative Decree 39/2010.

(*) Independent directors pursuant to the Consolidated Law on Finance (TUF) and the Code of Conduct

KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES

The amounts shown below only refer to continuing operations, unless otherwise specified.

Group income statement highlights

(EUR / 000)	30 June 2018		30 June 2017		2Q 2018		2Q 2017	
Revenues	70,260	100.0%	65,050	100.0%	35,543	100.0%	32,772	100.0%
EBITDA	11,210	16.0%	9,058	13.9%	5,433	15.3%	4,762	14.5%
EBIT	8,122	11.6%	6,091	9.4%	3,871	10.9%	3,289	10.0%
Profit (loss) before tax	7,618	10.8%	5,023	7.7%	3,723	10.5%	2,464	7.5%
Result from operating activities	4,936	7.0%	4,443	6.8%	2,326	6.5%	2,635	8.0%
Net Profit (loss) from assets held for sale	(875)	-1.2%	0	0.0%	(461)	-1.3%	0	0.0%
Group net profit (loss)	4,061	5.8%	4,443	6.8%	1,865	5.2%	2,635	8.0%

Group income statement highlights, excluding non-recurring items

(EUR / 000)	30 June 2018		30 June 2017		2Q 2018		2Q 2017	
Revenues	70,260	100.0%	65,050	100.0%	35,543	100.0%	32,772	100.0%
EBITDA	11,210	16.0%	9,379	14.4%	5,433	15.3%	4,762	14.5%
EBIT	8,122	11.6%	6,412	9.9%	3,871	10.9%	3,289	10.0%
Profit (loss) before tax	7,618	10.8%	5,344	8.2%	3,723	10.5%	2,464	7.5%
Result from operating activities	4,936	7.0%	4,764	7.3%	2,326	6.5%	2,635	8.0%
Net Profit (loss) from assets held for sale	(875)	-1.2%	0	0.0%	(461)	-1.3%	0	0.0%
Group net profit (loss)	4,061	5.8%	4,764	7.3%	1,865	5.2%	2,635	8.0%

Group statement of financial position highlights

(EUR / 000)	30 June 2018	31 December 2017
Invested capital from operations	78,001	73,477
Net working capital	32,644	30,621
Shareholders’ equity	68,879	69,911
Net financial position	(9,122)	(4,780)

(EUR / 000)	30 June 2018	30 June 2017
Operating cash flow	7,220	10,491
Investments	4,826	2,724

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the standard financial schedules and indicators required under IFRS, this document includes reclassified schedules and alternative performance indicators. These are intended to enable a better assessment of the Group's economic and financial management. However, these tables and indicators must not be considered as a substitute for those required under IFRS.

Specifically, the alternative indicators used in the notes to the income statement are:

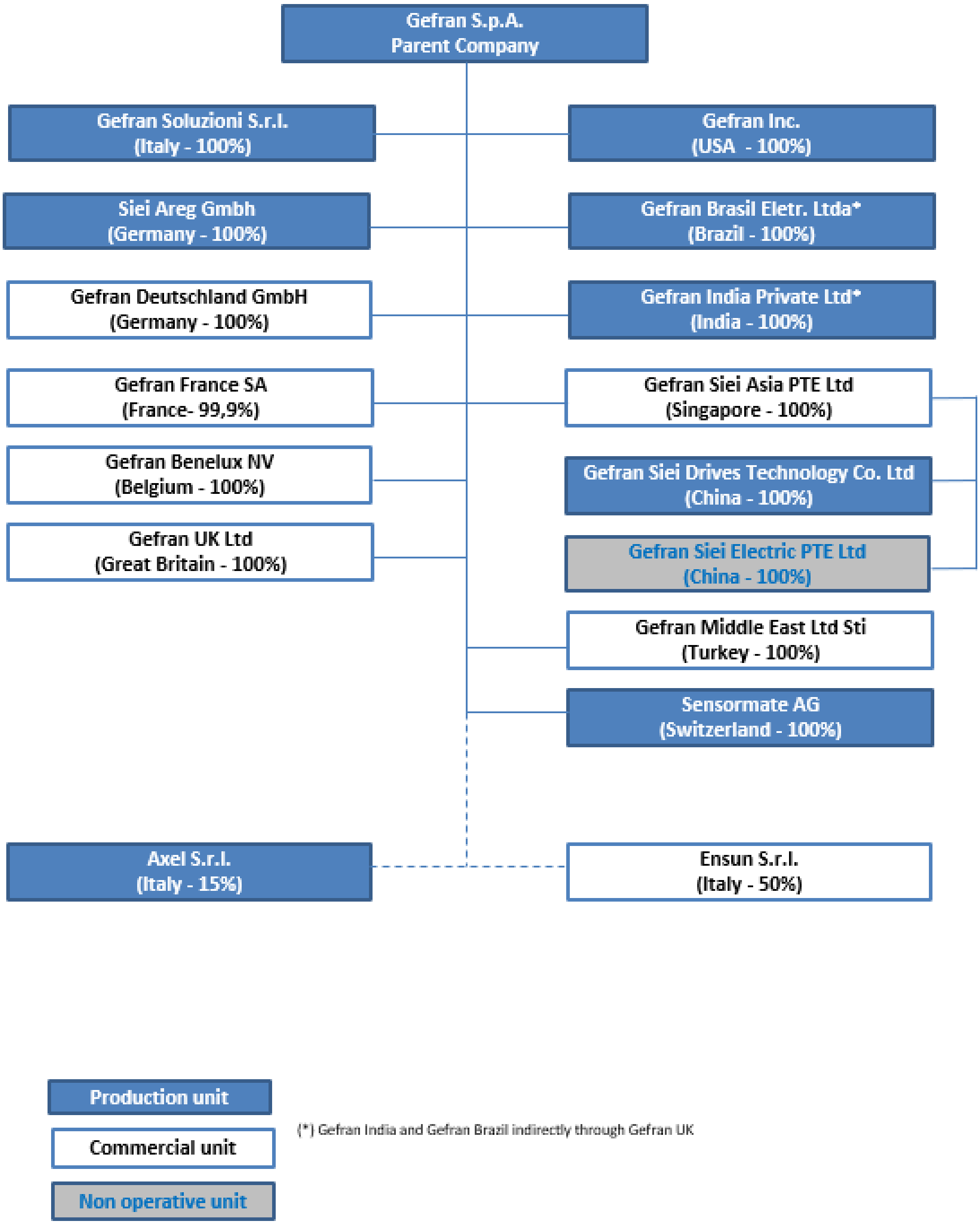
- **Added value**: the direct margin resulting from revenues, including only direct material, gross of other production costs, such as personnel costs, services and other sundry costs;
- **EBITDA**: operating result before depreciation, amortisation and impairment. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **EBIT**: operating result before financial management and taxes. The purpose of this indicator is to present the Group's operating profitability.

Alternative indicators used in the notes to the statement of financial position are:

- **Net non-current assets**: the algebraic sum of the following items in the statement of financial position:
    - Goodwill
    - Intangible assets
    - Property, plant, machinery and tools
    - Shareholdings valued at equity
    - Equity investments in other companies
    - Receivables and other non-current assets
    - Deferred tax assets
- **Working capital**: the algebraic sum of the following items in the statement of financial position:
    - Inventories
    - Trade receivables
    - Trade payables
    - Other assets
    - Tax receivables
    - Current provisions
    - Tax payables
    - Other liabilities
- **Net invested capital**: the algebraic sum of net fixed assets, working capital and provisions;
- **Net financial position**: the algebraic sum of the following items:
    - Medium- to long-term financial payables
    - Short-term financial payables
    - Financial liabilities for derivatives
    - Financial assets for derivatives
    - Cash and cash equivalents and short-term financial receivables

REPORT ON OPERATIONS

1. STRUCTURE OF THE GEFRAN GROUP



2. GEFRAN GROUP ACTIVITIES

The Gefran Group operates in three main business areas: Industrial sensors, Automation components and Motion control for the electronic control of electric motors.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. 71% of its revenues are generated abroad.

Sensors

The Sensors business offers a complete range of products for measuring four physical parameters of position, pressure, force and temperature - which are used in many industrial sectors.

Gefran stands out for its technological leadership. It produces primary components internally and boasts a comprehensive product range that is unique worldwide. In certain product families, Gefran is world leader. The sensors business generates two thirds of its revenues abroad.

Automation components

The electronic components business is divided into three product lines: instrumentation, power controllers and automation platforms (operator interfaces, PLCs and I/O modules). These components are widely used in the control of industrial processes. As well as supplying products, Gefran offers its customers the possibility of designing and supplying tailored turnkey automation solutions through a close strategic partnership during the design and production stages.

Gefran sets itself apart with its expertise in hardware and software acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers in these product lines and generates around half of its sales through exports.

Motion control

The motion control business develops products and solutions to regulate speed and control AC, DC and brushless electric motors. Products (inverters, armature converters and servodrives) guarantee maximum performance in terms of system precision and dynamics. These products are used in a variety of applications, including lift control, cranes, metal rolling lines, and in paper, plastics, glass and metal processing.

Through the integration of advanced capabilities and flexible hardware and software configurations, Gefran provides advantageous solutions for customers and target markets, optimising both technology and costs. The motion control business generates 69% of its revenues abroad.

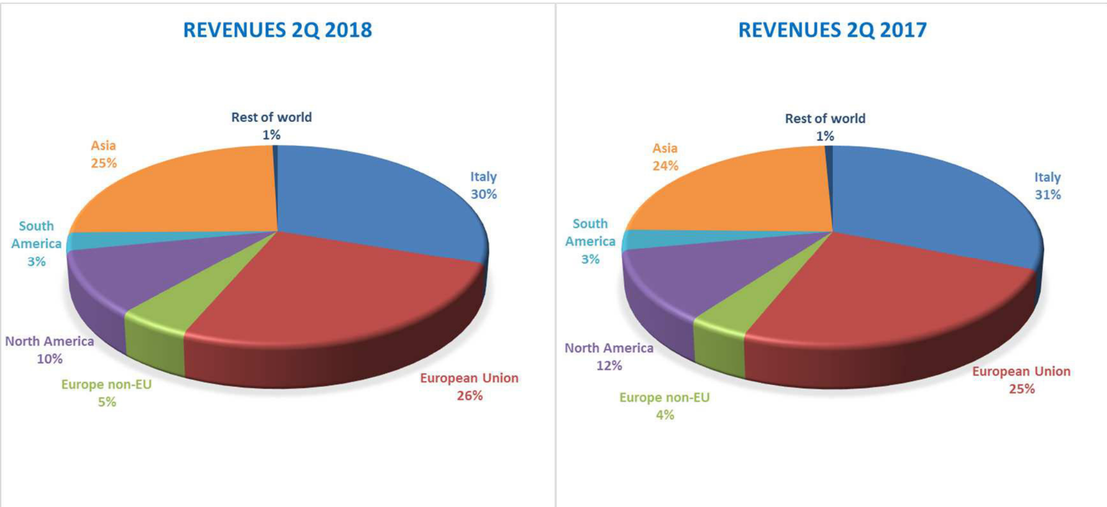
3. GEFRAN CONSOLIDATED RESULTS

5.1. CONSOLIDATED INCOME STATEMENT OF THE QUARTER

	(EUR / 000)	2Q 2018 Excl. non rec.	2Q 2018 Incl. non rec.	2Q 2018 Total	2Q 2017 Excl. non rec.	2Q 2017 Incl. non rec.	2Q 2017 Total	Changes 2018-2017 Value Excl. non rec.	Changes 2018-2017 %
a	Revenues	35,543		35,543	32,772		32,772	2,771	8.5%
b	Increases for internal work	256		256	142		142	114	80.3%
c	Consumption of materials and products	12,629		12,629	11,446		11,446	1,183	10.3%
d	Added value (a+b-c)	23,170	0	23,170	21,468	0	21,468	1,702	7.9%
e	Other operating costs	6,308		6,308	5,744		5,744	564	9.8%
f	Personnel costs	11,429		11,429	10,962		10,962	467	4.3%
g	EBITDA (d-e-f)	5,433	0	5,433	4,762	0	4,762	671	14.1%
h	Depreciation, amortisation and impairment	1,562		1,562	1,473		1,473	89	6.0%
i	EBIT (g-h)	3,871	0	3,871	3,289	0	3,289	582	17.7%
l	Gains (losses) from financial assets/liabilities	(91)		(91)	(756)		(756)	665	88.0%
m	Gains (losses) from shareholdings valued at equity	(57)		(57)	(69)		(69)	12	17.4%
n	Profit (loss) before tax (i±l±m)	3,723	0	3,723	2,464	0	2,464	1,259	51.1%
o	Taxes	(1,397)		(1,397)	171		171	(1,568)	-917.0%
p	Result from operating activities (n±o)	2,326	0	2,326	2,635	0	2,635	(309)	-11.7%
q	Net Profit (loss) from assets held for sale	(461)		(461)	0		0	(461)	n.s.
r	Group net profit (loss) (p±q)	1,865	0	1,865	2,635	0	2,635	(770)	-29.2%

In the second quarter of 2018, **revenues** were EUR 35,543 thousand, an increase of EUR 2,771 thousand or 8.5% on the same period in 2017, thanks to the positive results recorded in all the geographical regions the Group operates in, with the exception of the Americas.

New orders in the second quarter confirmed growth over the same period in 2017, with an increase of 8.4%.



The breakdown by **geographical region** saw double-digit growth in the European Union (+14.3%), non-EU Europe (+32.1%) and Asia (+12%). Domestic sales were also up (+5.1%), while a drop was registered in sales in North and South America (-4.7% and -3.4%, respectively), negatively affected by the exchange rate trend, without which these areas would have grown by +5% and +15%, respectively.

The table below shows the breakdown of revenues by business area in the second quarter of 2018 and a comparison with the same period of the previous year:

(EUR / 000)	2Q 2018		2Q 2017		Changes 2018-2017	
	value	%	value	%	value	%
Sensors	16,352	46.0%	15,218	46.4%	1,134	7.5%
Automation components	10,174	28.6%	9,362	28.6%	812	8.7%
Motion Control	10,661	30.0%	9,377	28.6%	1,284	13.7%
Eliminations	(1,644)	-4.6%	(1,185)	-3.6%	(459)	38.7%
Total	**35,543**	**100%**	**32,772**	**100%**	**2,771**	**8.5%**

The breakdown of **revenues by business area** shows growth over the same period of 2017 that involved all businesses, amounting to EUR 1,134 thousand (+7.5%) for Sensors, EUR 812 thousand (+8.7%) for Components, and EUR 1,284 thousand (+13.7%) for Motion control, respectively.

EBITDA amounted to EUR 5,433 thousand in the second quarter (EUR 4,762 thousand in the second quarter of 2017), equal to 15.3% of revenues (14.5% in 2017), EUR 671 thousand higher than in the same period in the previous year. This growth is essentially due to increased revenues and allocation of less funds to write-down of stock, and was only partially affected by the drop in overall margins earned, attributable to changes in the composition of the product mix and client breakdown.

EBIT for the second quarter of 2018 was positive at EUR 3,871 thousand or 10.9% of revenues, compared to an EBIT of EUR 3,289 thousand or 10% of revenues in the second quarter of 2017, with an increase of EUR 582 thousand.

Losses from assets held for sale in the second quarter of 2018 amounted to EUR 461 thousand including the fiscal effect, as a result of the complete write-off of assets pertaining to know-how in the photovoltaic business line, which had been the subject of negotiations for sale. When the potential buyers announced that they did not intended to exercise their purchase option, the directors opted to write the asset off entirely.

This figure compares to no profit or loss in the same period in the previous year.

Group net profit was EUR 1,865 thousand, compared with a profit of EUR 2,635 thousand in the same period of 2017.

5.2. CONSOLIDATED INCOME STATEMENT YEAR-TO-DATE

The main income statement items and comments are shown below.

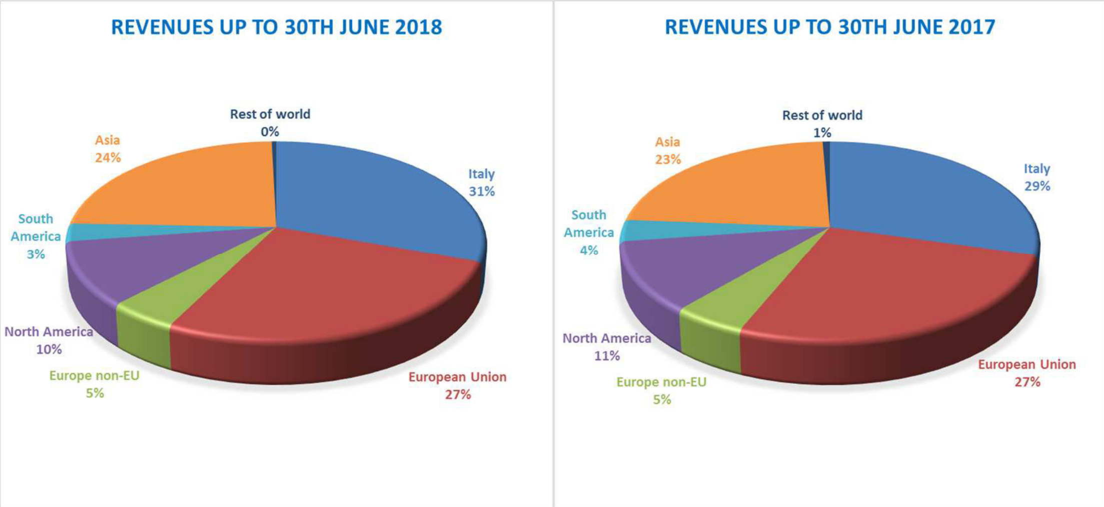
	(EUR / 000)	30 June 2018 Excl. non rec.	Incl. non rec.	Total	30 June 2017 Excl. non rec.	Incl. non rec.	Total	Changes 2018-2017 Value Excl. non rec.	%
a	Revenues	70,260		70,260	65,050		65,050	5,210	8.0%
b	Increases for internal work	621		621	310		310	311	100.3%
c	Consumption of materials and products	24,134		24,134	22,567		22,567	1,567	6.9%
d	Added value (a+b-c)	46,747	0	46,747	42,793	0	42,793	3,954	9.2%
e	Other operating costs	12,373		12,373	11,328		11,328	1,045	9.2%
f	Personnel costs	23,164		23,164	22,086	(321)	22,407	1,078	4.9%
g	EBITDA (d-e-f)	11,210	0	11,210	9,379	321	9,058	1,831	19.5%
h	Depreciation, amortisation and impairment	3,088		3,088	2,967		2,967	121	4.1%
i	EBIT (g-h)	8,122	0	8,122	6,412	321	6,091	1,710	26.7%
l	Gains (losses) from financial assets/liabilities	(410)		(410)	(993)		(993)	583	58.7%
m	Gains (losses) from shareholdings valued at equity	(94)		(94)	(75)		(75)	(19)	-25.3%
n	Profit (loss) before tax (i±l±m)	7,618	0	7,618	5,344	321	5,023	2,274	42.6%
o	Taxes	(2,682)		(2,682)	(580)		(580)	(2,102)	-362.4%
p	Result from operating activities (n±o)	4,936	0	4,936	4,764	321	4,443	172	3.6%
q	Net Profit (loss) from assets held for sale	(875)		(875)	0		0	(875)	n.s.
r	Group net profit (loss) (p±q)	4,061	0	4,061	4,764	321	4,443	(703)	-14.8%

Revenues at 30 June 2018 equalled EUR 70,260 thousand, as compared to EUR 65,050 thousand in the first half of 2017, up by EUR 5,210 thousand (+8%). This growth is significant, and extends to all sectors, registering good performance in plastic and lift applications, and is generated primarily by original equipment manufacturers (OEMs).

New orders during the first six months of 2018 rose by around 6.9% over the figure in the same period of 2017, and the order book also rose by around 13.8% compared with the first half of the previous year.

The following table shows revenues by geographical region:

(EUR / 000)	30 June 2018 value	%	30 June 2017 value	%	Changes 2018-2017 value	%
Italy	21,476	30.6%	19,184	29.5%	2,292	11.9%
European Union	18,909	26.9%	17,390	26.7%	1,519	8.7%
Non-EU Europe	3,357	4.8%	3,296	5.1%	61	1.9%
North America	7,329	10.4%	7,434	11.4%	(105)	-1.4%
South America	2,025	2.9%	2,276	3.5%	(251)	-11.0%
Asia	16,882	24.0%	15,052	23.1%	1,830	12.2%
Rest of the World	282	0.4%	418	0.6%	(136)	-32.5%
Total	**70,260**	**100%**	**65,050**	**100%**	**5,210**	**8.0%**



The breakdown of revenues by **geographical region** reveals significant growth in Italy (+11.9%), in Asia (+12.2%) and in the European Union (+8.7%), thanks to the positive trend in the sectors the Gefran Group serves. Shrinkage was however seen in the Americas, particularly South America (-11%), penalised by exchange rates; revenues in this area would have grown if exchange rates had remained constant.

Revenues by business area at 30 June 2018 and a comparison with the first half of the year 2017 are shown below.

(EUR / 000)	30 June 2018		30 June 2017		Changes 2018-2017	
	value	%	value	%	value	%
Sensors	32,483	46.2%	29,942	46.0%	2,541	8.5%
Automation components	20,234	28.8%	18,667	28.7%	1,567	8.4%
Motion Control	20,522	29.2%	18,599	28.6%	1,923	10.3%
Eliminations	(2,979)	-4.2%	(2,158)	-3.3%	(821)	38.0%
Total	**70,260**	**100%**	**65,050**	**100%**	**5,210**	**8.0%**

The breakdown of **revenues by business area** in the first half of 2018 reveals growth in all sectors: revenues from the sensors business grew by EUR 2,541 thousand (+8.5%), revenues from automation components grew by EUR 1,567 thousand (+8.4%), and the motion control business grew by EUR 1,923 thousand (+10.3%), continuing the positive trend which began in the fourth quarter of 2017.

Increases for internal work at 30 June 2018 came to EUR 621 thousand, compared with EUR 310 thousand in the first half of 2017. This item mainly concerns the share of development costs incurred during the period and capitalised (EUR 481 thousand); for more details on research and development, see section 7 of this report.

Added value for the first six months of 2018 was EUR 46,747 thousand (EUR 42,793 thousand in the first half of 2017), equivalent to 66.5% of revenues (65.8% in the same period in 2017). The EUR 3,954 thousand increase over the first half of the previous year was mainly due to an increase in volumes, worth EUR 3,521 thousand.

Other operating costs at 30 June 2018 totalled EUR 12,373 thousand, resulting in an absolute value EUR 1,045 thousand higher than in the first six months of 2017. These include greater variable industrial costs of production borne in response to growing revenues, as well as use of more resources in advertising and trade fair projects.

Personnel costs were EUR 23,164 thousand at 30 June 2018 (33% of revenues), compared with EUR 22,407 thousand in the first six months of 2017 (34.4% of revenues). The increased cost reflects the addition of new resources to the Group, as revealed by the increase in the average number of Group employees from 728 in the first half of 2017 to 746 in the first six months of 2018, in line with the plan of investment in human capital launched at the end of 2017.

EBITDA for the first half of 2018 was positive at EUR 11,210 thousand (EUR 9,058 thousand for the same period in 2017) and amounted to 16% of revenues (13.9% in 2017), an increase over the first quarter of 2017 of EUR 2,152 thousand in absolute value and 2.1 percentage points. This growth is largely due to increased revenues resulting in greater added value.

EBIT was positive at EUR 8,122 thousand at 30 June 2018 (11.6% of revenues), compared with an EBIT of EUR 6,091 thousand in the first half of 2017.

Charges from financial assets/liabilities at 30 June 2018 were EUR 410 thousand (EUR 993 thousand at 30 June 2017) and include:

- financial income of EUR 123 thousand (EUR 53 thousand in the first half of 2017);
- financial charges linked with the Group's indebtedness changed from EUR 294 thousand in the first six months of 2017 to EUR 147 thousand in the same period in 2018, down due to a reduction in the average spread of loans;
- negative differences on currency transactions of EUR 308 thousand, compared with the also negative figure of EUR 752 thousand in the first six months of 2017;
- financial charges for late payment of foreign taxes of EUR 78 thousand.

Gains from shareholdings valued at equity were EUR 94 thousand, down from 31 December 2017, when they amounted to EUR 75 thousand. This decrease mainly relates to the pro-rata result of the Ensun S.r.l. Group.

The balance of **taxes** was negative by EUR 2,682 thousand and is composed of:

- negative current taxes of EUR 1,929 thousand (negative by EUR 1,261 thousand at 30 June 2017); the fiscal burden for the year reflects the positive results achieved by the Parent Company and subsidiaries; the current taxes calculation of EUR 1,590 thousand, is different compared to the amount included in the statement of profit/(loss) of the year as a result of the amount of EUR 339 thousand allocated on the “Net Profit (loss) from assets held for sale”;
- Deferred tax assets and liabilities had a negative balance of EUR 753 thousand (as compared to a positive balance of EUR 681 thousand at 30 June 2017); this item primarily reflects the release to the income statement of deferred tax assets entered as tax losses to reflect the positive result of the period.

The **result from operating activities** in the first half of 2018 was positive in the amount of EUR 4,936 thousand, compared to a positive result of EUR 4,443 thousand in the first half of 2017.

Losses from assets held for sale in the first half of 2018 amounted to EUR 875 thousand including the fiscal effect, as a result of the complete write-off of assets pertaining to know-how in the photovoltaic business line, which had been the subject of negotiations for sale. When the potential buyers announced that they did not intended to exercise their purchase option, the directors opted to write the asset off entirely.

Group net profit for the first half of 2018 was EUR 4,061 thousand, compared with a net profit of EUR 4,443 in the first half of 2017, EUR 382 thousand lower due to the negative impact of the decrease in the value of assets held for sale (EUR 875 thousand).

5.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Gefran Group's reclassified consolidated balance sheet at 30 June 2018 is shown below.

GEFRAN GROUP	30 June 2018		31 December 2017	
(EUR / 000)	value	%	value	%
Intangible assets	12,242	15.7	12,605	16.9
Tangible assets	37,750	48.4	35,563	47.6
Other non-current assets	10,672	13.7	11,733	15.7
Net non-current assets	60,664	77.8	59,901	80.2
Inventories	23,427	30.0	20,264	27.1
Trade receivables	33,166	42.5	29,386	39.3
Trade payables	(23,949)	(30.7)	(19,029)	(25.5)
Other assets/liabilities	(7,735)	(9.9)	(9,554)	(12.8)
Working capital	24,909	31.9	21,067	28.2
Provisions for risks and future liabilities	(1,958)	(2.5)	(1,752)	(2.3)
Deferred tax provisions	(632)	(0.8)	(647)	(0.9)
Employee benefits	(4,982)	(6.4)	(5,092)	(6.8)
Invested capital from operations	78,001	100.0	73,477	98.4
Invested capital from assets held for sale	-	-	1,214	1.6
Net invested capital	**78,001**	**100.0**	**74,691**	**100.0**
Shareholders' equity	68,879	88.3	69,911	93.6
Non-current financial payables	10,799	13.8	13,933	18.7
Current financial payables	13,977	17.9	14,999	20.1
Financial liabilities for derivatives	46	0.1	76	0.1
Financial assets for derivatives	(37)	(0.0)	(56)	(0.1)
Non-current financial assets	(139)	(0.2)	(166)	(0.2)
Cash and cash equivalents and current financial receivables	(15,524)	(19.9)	(24,006)	(32.1)
Net debt relating to operations	9,122	11.7	4,780	6.4
Total sources of financing	**78,001**	**100.0**	**74,691**	**100.0**

Net **non-current assets** at 30 June 2018 were EUR 60,664 thousand, compared with EUR 59,901 thousand at 31 December 2017. The main changes were as follows:

- intangible assets registered an overall decrease of EUR 363 thousand. This includes increases for new investments (EUR 230 thousand) and the capitalisation of development costs (EUR 481 thousand), as well as decreases due to amortisation for the period (EUR 1,184 thousand) and the effect of positive exchange rate differences on goodwill and other intangible assets (EUR 72 thousand);
- tangible assets increased by EUR 2,187 thousand compared with 31 December 2017. Investments in the first half of 2018 amounted to EUR 4,115 thousand, partially offset by depreciation of EUR 1,904 thousand and EUR 5 thousand in net decreases due to disposals;
- other non-current assets totalled EUR 10,672 thousand at 30 June 2018 (EUR 11,733 thousand at 31 December 2017), a decrease of EUR 1,061 thousand. This change is primarily attributable to

the EUR 765 thousand decrease in deferred tax assets and adaptation of the value of equity investments entered at fair value, down EUR 196 thousand.

Working capital was EUR 24,909 thousand at 30 June 2018, compared with EUR 21,067 thousand at 31 December 2017, an overall increase of EUR 3,842 thousand. The main changes were as follows:

- Inventories changed from EUR 20,264 thousand at 31 December 2017 to EUR 23,427 thousand at 30 June 2018; the EUR 3,163 thousand increase is attributable to the increase in raw materials stocks in response to growth of revenues and the increase in stocks of semi-products and finished products in response to customers' requirements;
- Trade receivables totalled EUR 33,166 thousand, an increase of EUR 3,780 thousand compared to 31 December 2017, mainly due to the increase in revenues;
- Trade payables amounted to EUR 23,949 thousand, an increase of EUR 4,920 thousand over 31 December 2017, reflecting the increase in purchases both of materials for inventory stocks and for technical investments;
- Other net assets and liabilities were negative by EUR 7,735 thousand at 30 June 2018, down by EUR 1,819 thousand compared to 31 December 2017, when they amounted to EUR 9,554 thousand. These include, among other items, employee and social security payables and direct and indirect taxes payable and receivable; the drop is a result of payment of foreign taxes due for previous years.

Provisions for risks and future liabilities were EUR 1,958 thousand, an increase of EUR 206 thousand compared with 31 December 2017. These include provisions for legal disputes in progress and miscellaneous risks. The change is largely due to movements in the Parent Company's and the Chinese subsidiary's product guarantee funds, and to use of funds allocated in previous years by German subsidiaries.

Employee benefits totalled EUR 4,982 thousand, down EUR 110 thousand over the value at 31 December 2017.

Shareholders' equity at 30 June 2018 amounts to EUR 68,879 thousand, as compared to EUR 69,911 thousand at 31 December 2017, a EUR 1,032 thousand drop: the positive result in the period, equal to EUR 4,061 thousand, was absorbed by distribution of EUR 5,040 thousand in dividends in the month of May 2018.

The table below shows a reconciliation between the Parent Company's shareholders' equity and result for the period and those of the consolidated financial statements:

(EUR / 000)	30 June 2018 Shareholders' equity	30 June 2018 Result for the period	31 December 2017 Shareholders' equity	31 December 2017 Result for the period
Parent Company shareholders' equity and operating result	**61,338**	**5,165**	**61,398**	**8,448**
Shareholders' equity and operating result of the consolidated companies	34,085	1,520	34,729	160
Elimination of the carrying value of consolidated investments	(28,578)	0	(28,577)	390
Goodwill	3,730	0	3,717	0
Elimination of the effects of transactions conducted between consolidated companies	(1,696)	(2,624)	(1,356)	(2,134)
Group share of shareholders' equity and operating result	**68,879**	**4,061**	**69,911**	**6,864**
Minorities' share of shareholders' equity and operating result	0	0	0	0
Shareholders' equity and operating result	**68,879**	**4,061**	**69,911**	**6,864**

Net financial position at 30 June 2018 was negative by EUR 9,122 thousand, a decrease of EUR 4,342 thousand compared with 31 December 2017. It breaks down as follows:

(EUR / 000)	30 June 2018	31 December 2017	Change
Cash and cash equivalents and current financial receivables	15,524	24,006	(8,482)
Current financial payables	(13,977)	(14,999)	1,022
Financial liabilities for derivatives	(46)	(76)	30
Financial assets for derivatives	37	56	(19)
(Debt)/short-term cash and cash equivalents	**1,538**	**8,987**	**(7,449)**
Non-current financial assets	139	166	(27)
Non-current financial payables	(10,799)	(13,933)	3,134
(Debt)/medium-/long-term cash and cash equivalents	**(10,660)**	**(13,767)**	**3,107**
Net financial position	**(9,122)**	**(4,780)**	**(4,342)**

Net financial debt comprises short-term cash and cash equivalents of EUR 1,538 thousand and medium-/long-term debt of EUR 10,660 thousand.

No new loans were taken out in the first half of the year.

The change in net financial position is mainly due to the positive cash flow from typical operations (EUR 7,220 thousand), partially mitigated by technical investments in the half (EUR 4,826 thousand), by distribution of dividends (EUR 5,040 thousand), and by payment of taxes (EUR 2,852 thousand).

The Gefran Group's **consolidated cash flow statement** at 30 June 2018 shows a negative net change in cash on hand of EUR 8,482 thousand, compared to a negative change of EUR 1,526 thousand in the first half of 2017.

The change was as follows:

(EUR / 000)	**30 June 2018**	**30 June 2017**
A) Cash and cash equivalents at the start of the period	24,006	20,477
B) Cash flow generated by (used in) operations in the period	7,220	10,491
C) Cash flow generated by (used in) investment activities	(4,836)	(2,628)
D) Free cash flow (B+C)	2,384	7,863
E) Cash flow generated by (used in) financing activities	(10,873)	(8,895)
F) Cash flow from continuing operations (D+E)	(8,489)	(1,032)
G) Cash flow from assets held for sale	0	0
H) Exchange rate translation differences on cash at hand	7	(494)
I) Net change in cash at hand (F+G+H)	(8,482)	(1,526)
J) Cash and cash equivalents at the end of the period (A+I)	15,524	18,951

The cash flow from operations in the first half of 2018 came to a positive balance of EUR 7,220 thousand; specifically, operations in 2018, net of the effect of provisions, amortisation and depreciation and financial items, generated cash of EUR 9,505 thousand (EUR 4,662 at 30 June 2017), while the increase in working capital in the same period generated a negative cash flow of EUR 2,285 thousand (as compared to a positive cash flow of EUR 5,839 thousand in the first half of 2017).

Technical investments amounted to EUR 4,826 thousand, an increase of EUR 2,102 thousand, compared to EUR 2,724 thousand in the first half of 2017.

Free cash flow (operating cash flow excluding investment activities) was positive at EUR 2,384 thousand, compared with an again positive figure of EUR 7,863 thousand in the first half of the previous year, and therefore down EUR 5,479 thousand, primarily due to the additional investments made and the performance of working capital.

Financing activities absorbed cash amounting to EUR 10,873 thousand, principally due to repayment of instalments due on outstanding loans (EUR 5,086 thousand), payment of dividends due on the results achieved (EUR 5,040 thousand), and the payment of taxes (EUR 2,852 thousand, of which EUR 1,817 thousand was for foreign taxes for previous years), partly offset by the increase in short-term financial debt (EUR 2,000 thousand).

In the first half of 2017, on the other hand, financing activities had absorbed cash amounting to EUR 8,895 thousand, principally for repayment of instalments due on outstanding loans (EUR 5,193 thousand), distribution of dividends (EUR 3,596 thousand) and payment of current taxes (EUR 1,167 thousand), partly offset by the sale of own shares (EUR 1,129 thousand).

4. INVESTMENTS

Gross technical **investments** made in the first half of 2018 amounted to EUR 4,826 thousand (EUR 2,724 thousand in the first half of 2017), and related to:

- investment of EUR 1,438 thousand in production and laboratory plant and equipment in the Parent Company's Italian factories, investment of EUR 271 thousand in the Chinese factory and investment of EUR 101 thousand in the factories of other Group subsidiaries;
- investment of EUR 1,777 thousand in adaptation of the Parent Company's industrial buildings, including EUR 954 thousand invested in the Gerenzano production facility and investment of EUR 42 thousand in buildings owned by other Group subsidiaries;
- investments related to the renewal of electronic office machines and IT system equipment in the Parent Company amounting to EUR 353 thousand and EUR 73 thousand in the Group's subsidiaries;
- investments in miscellaneous equipment in the Group's subsidiaries amounting to EUR 60 thousand;
- capitalisation of costs incurred in the period for new product development, totalling EUR 481 thousand;
- other investments in intangible assets totalling EUR 230 thousand, for management software licences and SAP ERP development.

The investments are summarised below by type:

(EUR / 000)	at 30 June 2018	at 30 June 2017
Intangible assets	711	409
Tangible assets	4,115	2,315
Total	4,826	2,724

The investments are summarised by business area below:

(EUR / 000)	Sensors	Automation Components	Motion Control	Total
Intangible assets	85	376	250	711
Tangible assets	1,797	714	1,604	4,115
Total	1,882	1,090	1,854	4,826

5. ASSETS HELD FOR SALE

Losses from assets held for sale in the first half of 2018 amounted to EUR 875 thousand, as a result of the complete write-off of assets pertaining to know-how in the photovoltaic business line of EUR 1,214 thousand which had been the subject of negotiations for sale, and the related fiscal effect, positive for EUR 339 thousand. When the potential buyers announced that they did not intended to exercise their purchase option, the directors opted to write the asset off entirely.

6. RESULTS BY BUSINESS AREA

The following sections comment on the performance of the individual business areas.

To ensure correct interpretation of figures relating to the individual activities, it should be noted that:

- the business represents the sum of revenues and related costs of the Parent Company Gefran S.p.A. and of the Group subsidiaries;
- the figures for each business are provided gross of internal trade between different businesses;
- the central operations costs, which pertain to Gefran S.p.A., are fully allocated to the businesses, where possible, and quantified according to actual use; they are otherwise divided according to economic-technical criteria.

6.1. SENSORS

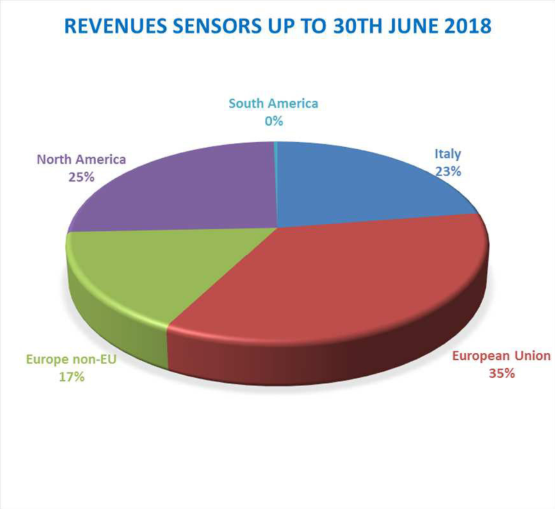
Summary results

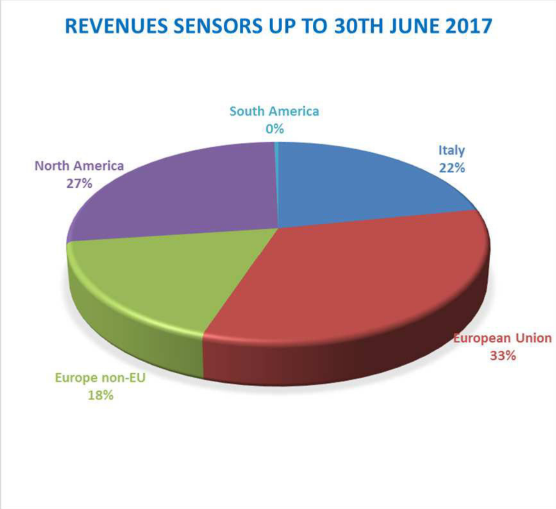
The table below shows the key economic figures.

(EUR / 000)	30 June 2018	30 June 2017	Changes 2018 - 2017		2Q 2018	2Q 2017	Changes 2018 - 2017	
			value	%			value	%
Revenues	32,483	29,942	2,541	8.5%	16,352	15,218	1,134	7.5%
EBITDA	10,165	8,521	1,644	19.3%	4,927	4,750	177	3.7%
% of revenues	*31.3%*	*28.5%*			*30.1%*	*31.2%*		
EBIT	8,957	7,362	1,595	21.7%	4,310	4,176	134	3.2%
% of revenues	*27.6%*	*24.6%*			*26.4%*	*27.4%*		

The breakdown of sensors business revenues by geographical region is as follows:

(EUR / 000)	30 June 2018		30 June 2017		Changes 2018 - 2017	
	value	%	value	%	value	%
Italy	7,322	22.5%	6,546	21.9%	776	11.9%
Europe	11,437	35.2%	9,965	33.3%	1,472	14.8%
America	5,391	16.6%	5,312	17.7%	79	1.5%
Asia	8,228	25.3%	8,013	26.8%	215	2.7%
Rest of the World	105	0.3%	106	0.4%	(1)	-0.9%
Total	**32,483**	**100%**	**29,942**	**100%**	**2,541**	**8.5%**





Business performance

Business revenues at 30 June 2018 were EUR 32,483 thousand, an increase of EUR 2,541 thousand (8.5%) compared with the first half of 2017. Increases were recorded in all geographical regions and all product lines, driven by excellent performance in the Gefran Group’s core market.

New orders in the first half of 2018, amounting to EUR 16,293 thousand, showed a +6.7% increase over the same period in 2017, when they amounted to EUR 15,268 thousand; the order backlog at the end of the first half of 2018 grew by around 4.4% compared with the same period of 2017 and by around 12.9% compared with the end of 2017.

In the second quarter of 2018, revenues amounted to EUR 16,352 thousand, up 7.5% over the same period in 2017, when they came to EUR 15,218 thousand.

EBITDA at 30 June 2018 was EUR 10,165 thousand, an increase of EUR 1,644 thousand (+19.3%) over the first half of 2017, when it was EUR 8,521 thousand. The improvement in EBITDA can be attributed to the increase in volumes and higher margins, only partially offset by the increase in operating costs reflecting investments made to support growth.

EBIT at 30 June 2018 was EUR 8,957 thousand, equal to 27.6% of revenues, compared to EBIT of EUR 7,362 thousand in the first half of 2017 (24.6% of revenues), with a positive change of EUR 1,595 thousand (+21.7%).

Comparing the figures by quarter, EBIT in the second quarter of 2018 came to EUR 4,310 thousand, corresponding to 26.4% of revenues, compared with an EBIT of EUR 4,176 thousand, equal to 27.4% of revenues, in the second quarter of 2017.

Investments

The Group invested EUR 1,882 thousand in the sensors business in the first half of 2018, including investments in intangible assets totalling Euro 85 thousand, primarily regarding research and development of new products.

Investments in tangible assets amounted overall to EUR 1,797 thousand, EUR 1,379 thousand of which were invested by the Parent Company, mainly for the purchase of production equipment to increase production capacity and efficiency (EUR 879 thousand), and for upgrading buildings (EUR 353 thousand), with investment of EUR 418 thousand in the Group’s subsidiaries, mostly relating to installation of new production lines or the expansion of existing lines (EUR 340 thousand).

6.2. AUTOMATION COMPONENTS

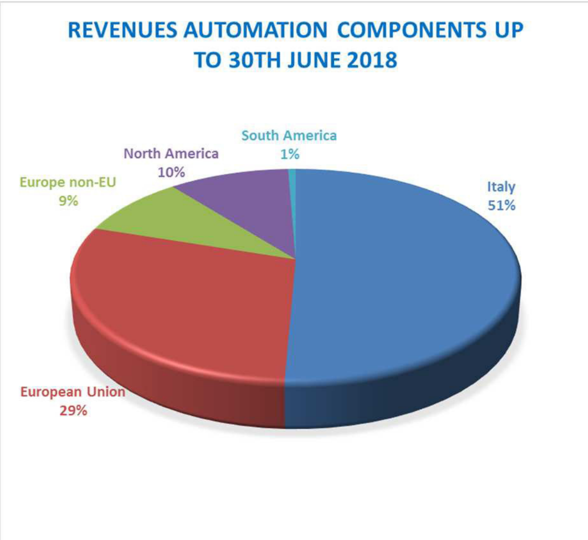
Summary results

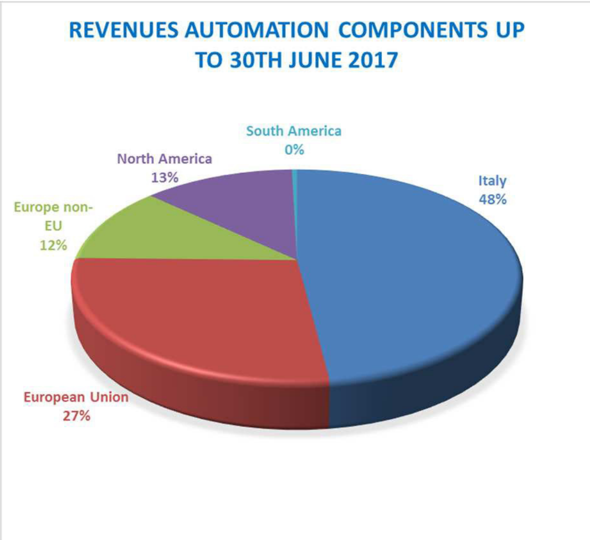
The table below shows the key economic figures.

(EUR / 000)	30 June 2018	30 June 2017	Changes 2018-2017 value	%	2Q 2018	2Q 2017	Changes 2018 - 2017 value	%
Revenues	20,234	18,667	1,567	8.4%	10,174	9,362	812	8.7%
EBITDA	2,438	2,529	(91)	-3.6%	1,205	1,633	(428)	-26.2%
% of revenues	*12.0%*	*13.5%*			*11.8%*	*17.4%*		
EBIT	1,456	1,642	(186)	-11.3%	714	1,194	(480)	-40.2%
% of revenues	*7.2%*	*8.8%*			*7.0%*	*12.8%*		

The breakdown of components business revenues by geographic region is as follows:

(EUR / 000)	30 June 2018 value	%	30 June 2017 value	%	Changes 2018-2017 value	%
Italy	10,255	50.7%	8,958	48.0%	1,297	14.5%
Europe	5,944	29.4%	5,103	27.3%	841	16.5%
America	1,875	9.3%	2,177	11.7%	(302)	-13.9%
Asia	2,032	10.0%	2,349	12.6%	(317)	-13.5%
Rest of the World	128	0.6%	80	0.4%	48	60.0%
Total	**20,234**	**100%**	**18,667**	**100%**	**1,567**	**8.4%**





Business performance

Revenues totalled EUR 20,234 thousand at 30 June 2018, up 8.4% compared with the first half of 2017. The improvement was due to the increase in revenues on the Italian and European markets (+14.5% and +16.5% respectively), only partially offset by the contraction recorded in America and in Asia.

New orders at 30 June 2018, amounting to EUR 17,210 thousand, were in line with the same period of the previous year (-1.3%), whereas the backlog, amounting to EUR 3,734 thousand, was down compared to the figure for the first half of 2017 (-3.3%) but up compared to the figure for the end of 2017 (+29.4%).

In the second quarter of 2018, revenues amounted to EUR 10,174 thousand, up 8.7% over the same period in 2017, when they came to EUR 9,362 thousand.

EBITDA at 30 June 2018 was positive by EUR 2,438 thousand (12% of revenues), down by EUR 91 thousand compared with the first half of 2017 (-3.6%). Greater volumes of sale and greater added value did not permit complete absorption of increased operating costs in the business line.

EBIT was positive and amounted to EUR 1,456 thousand in the half, down by -11.3% since the same period in the previous year, when it was EUR 186 thousand.

Comparing the figures by quarter, EBIT in the second quarter of 2018 came to EUR 714 thousand, corresponding to 7% of revenues, compared with an EBIT of EUR 1,194 thousand, equal to 12.8% of revenues, in the second quarter of 2017.

Investments

Investment in the first half of 2018 totalled EUR 1,090 thousand, including EUR 376 thousand invested in intangible assets (including EUR 231 thousand for capitalisation of the cost of development of a new range of power regulators and controllers) and EUR 714 thousand in tangible assets, including EUR 627 thousand invested in Italy, primarily to permit completion of production lines and greater automation of the project begun in 2017, installation of new lines for new product ranges, and adaptation of buildings.

6.3. MOTION CONTROL

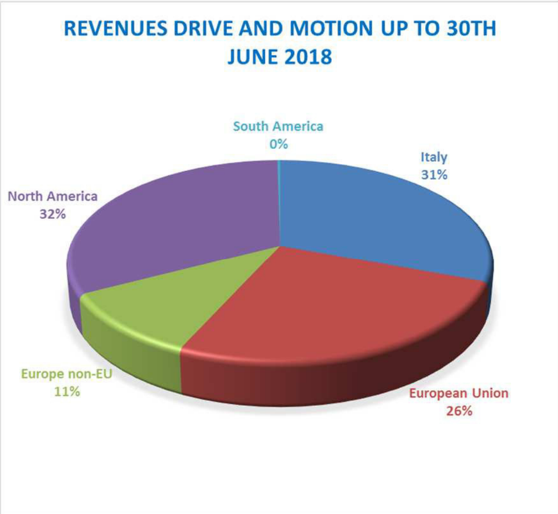
Summary results

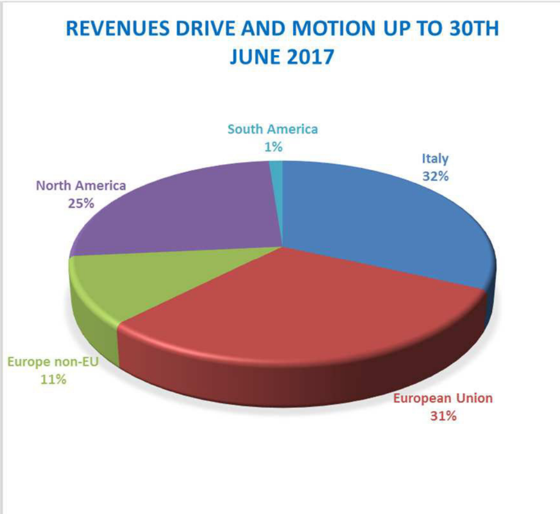
The table below shows the key economic figures.

(EUR / 000)	**30 June 2018**	**30 June 2017**	**Changes 2018-2017**		**2Q 2018**	**2Q 2017**	**Changes 2018 - 2017**	
			value	**%**			**value**	**%**
Revenues	**20,522**	**18,599**	1,923	10.3%	**10,661**	**9,377**	1,284	13.7%
EBITDA	**(1,393)**	**(1,992)**	599	-30.1%	**(699)**	**(1,621)**	922	-56.9%
% of revenues	*-6.8%*	*-10.7%*			*-6.6%*	*-17.3%*		
EBIT	**(2,291)**	**(2,913)**	622	-21.4%	**(1,153)**	**(2,081)**	928	-44.6%
% of revenues	*-11.2%*	*-15.7%*			*-10.8%*	*-22.2%*		

The breakdown of revenues by geographical region is as follows:

(EUR / 000)	30 June 2018		30 June 2017		Changes 2018-2017	
	value	%	value	%	value	%
Italy	6,294	30.7%	5,918	31.8%	376	6.4%
Europe	5,364	26.1%	5,701	30.7%	(337)	-5.9%
America	2,167	10.6%	2,050	11.0%	117	5.7%
Asia	6,648	32.4%	4,707	25.3%	1,941	41.2%
Rest of the World	49	0.2%	223	1.2%	(174)	-78.0%
Total	**20,522**	**100%**	**18,599**	**100%**	**1,923**	**10.3%**





Business performance

Revenues totalled EUR 20,522 thousand at 30 June 2018, up EUR 1,923 thousand (+10.3%) compared with the same period in 2017; Growth was concentrated in Asia (+41.2%), Italy (+6.4%) and Americas (+5.7%), mainly thanks to lift applications and custom products, whereas sales in Europe fell (-5.9%).

New orders in the first half of 2018, amounting to EUR 22,783 thousand, showed a +16.6% increase over the same period in 2017, when they amounted to EUR 19,541 thousand; the order backlog at the end of the first half of 2018 grew by around 33.4% compared with the same period of 2017 and by around 32.4% compared with the end of 2017.

In the second quarter of 2018, revenues amounted to EUR 10,661 thousand, up 13.7% over the same period in 2017, when they came to EUR 9,377 thousand.

EBITDA was negative by EUR 1,393 thousand (-6.8% of revenues) at 30 June 2018, an increase (EUR 599 thousand) compared with the figure for the same period in 2017, when it was negative and amounted to EUR 1,992 thousand (-10.7% of revenues). Growth of revenues over the first half of 2017, and lower allocation to the provision for inventory write-down entered during the period, permit partial recovery of EBITDA.

At 30 June 2018 EBIT was negative by EUR 2,291 thousand, compared with a negative EBIT of EUR 2,913 thousand in the same period of 2017, an increase of EUR 622 thousand.

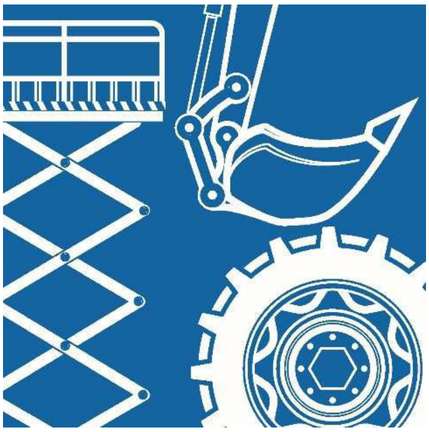
In the comparison by quarters, the EBIT of the motion control business for the second quarter of 2018 is negative by EUR 1,153 thousand (-10.8% of revenues), compared with an EBIT in the same period in 2017 which was negative by EUR 2,081 thousand (-22.2% of revenues), an improvement of EUR 928 thousand.

Investments

Investments in the first half of 2018 amount to EUR 1,854 thousand, including EUR 1,604 thousand for tangible assets, primarily dedicated to installation of new assembly lines, in addition to adaptation of the Gerenzano plant.

Increases in intangible assets amounted to EUR 250 thousand and mainly concerned the capitalisation of development costs (EUR 208 thousand), relating to new products for the industrial sector and the lifting sector.

7. RESEARCH AND DEVELOPMENT



The Gefran Group invests significant financial and human resources in product research and development. In the first half of 2018, about 4.4% of sales were invested in these activities, which are considered strategic to maintain high technological and innovative levels in products and ensure the competitiveness required by the market.

Research and development is concentrated in Italy, in the laboratories in Provaglio d'Iseo and Gerenzano. It is carried out within the design department, with a separation between research and development concerning new products and production engineering targeting the improvement and innovation of existing products.

The cost of technical personnel involved in the activities, consultancy and materials used is fully charged to the income statement, except for costs capitalised for the year that meet the requirements of IAS 38. Costs identified for capitalisation according to the above requirements are indirectly suspended by a revenue entry under a specific income statement item: *"Increases for internal work"*.

In the **sensors** business, research focused on the following products:

- magnetostrictive sensors: work continued on the evolution of "ONDA" technology, which will be applied to the entire product range once development has been completed. The expected benefits are related to metrological performance, which will make the product suitable to be applied on a broader spectrum of machinery.
- force sensors for electrical machinery for injection of plastic materials: work on development of products for measurement of force in so-called "FEMs" (Full Electric Machines) is oriented toward introduction of advanced wireless signal transmission and communication technology (Industry 4.0), which offers superior benefits for product users. These are innovative products made using an important set of technical skills combining the company's legacy of know-how with the most recent trends in communication technologies;
- wirewound position sensors: efforts to achieve dependability and safety in sensor design for applications in Mobile Hydraulics have led to development of solutions involving use of

contactless transduction technologies using the “HALL” effect which guarantee maintenance of metrological properties over time.

In the field of **automation components**, research in instrumentation has focused on development of products with advanced features that conform to the requirements of the “AMS2750E” (Aerospace Material Specification) standard.

For the power controller range, work focused on:

- development of products with predictive diagnostics functions and reduction of energy consumption (Industry 4.0);
- development of products planned and qualified in accordance with SCCR UL certification, required on the US market.

Development activities in the **motion control** business focused on both the standard product ranges (industrial and non-industrial lifting) and on custom projects. Specifically:

- the industrial lines have seen the implementation of new application functions, primarily for the metal sector;
- civil lifting lines have required development of SW and HW solutions responding to specific demands on the market.

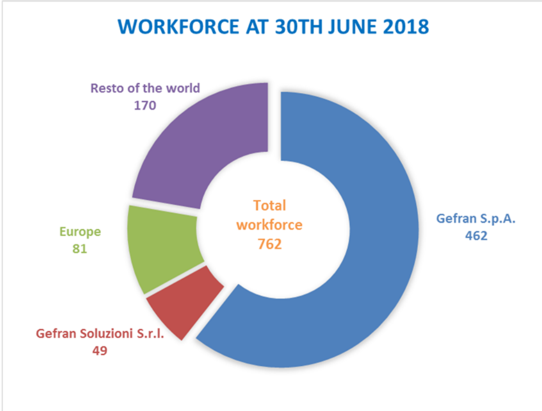
During the half, work began on development of a new solution for the metal sector and study of a solution for the textiles sector.

Work continued on the “I-MECH” project set up by the European Community and co-financed by the Italian Ministry of Education, Universities and Research, for research and innovation in Motion Control applied to Mechatronics solutions. The first plenary session meeting was held in the Gerenzano plant, and work is currently underway on definition and development of the project.

8. HUMAN RESOURCES

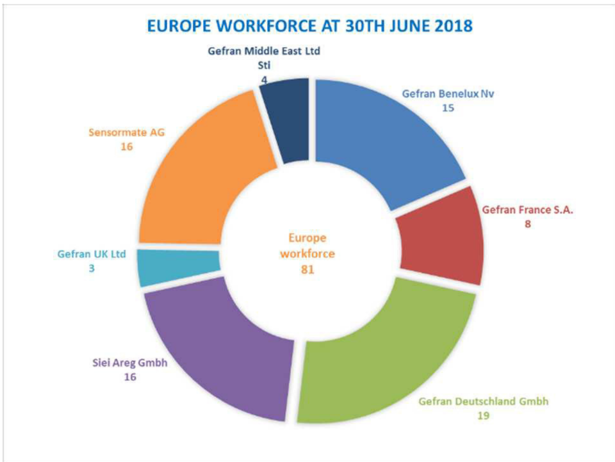
Workforce

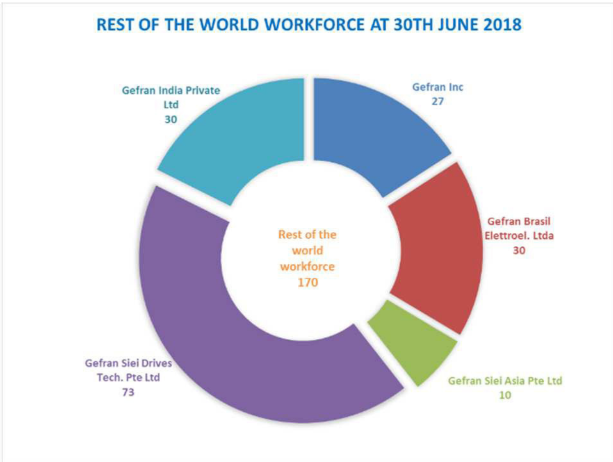
At 30 June 2018, the Group's workforce numbered 762, an increase of 38 on the end of the first half of 2017, and of 32 compared with 31 December 2017.



This change marks an overall turnover rate within the Group of 10.7%. Changes in the first half of 2018 were as follows:

- 56 people joined the Group, including 16 manual workers, 39 clerical staff and 1 manager/executive;
- 24 people left the Group, including 6 manual workers, 15 clerical staff and 3 managers/executives.





9. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GEFRAN GROUP IS EXPOSED

In the normal course of its business, the Gefran Group is exposed to various financial and non-financial risk factors, which, should they materialise, could have a significant impact on its economic and financial situation. The Group adopts specific procedures to manage the risk factors that could influence its results.

On 13 February 2008, the Board of Directors voted to adopt an Organisation, Management and Control model (the "Organisational Model") to prevent the offences under Legislative Decree 231/01 from being committed.

This model was subsequently updated in light of changes to the law mentioned above. The Organisational Model was updated under a resolution passed by the Board of Directors on 3 August 2017, based on the Confindustria Guidelines, in response to the need for continuous update of the corporate governance system, the structure of which is based in turn by the recommendations and regulations in the "Code of Conduct for Listed Companies" promoted by Borsa Italiana S.p.A., with which the Company complies.

The relevant corporate entities for the purposes of the internal control and risk management system have been identified:

- the **Risk Control Committee** (RCC), which has the task of supporting, with adequate preliminary investigation activity, evaluations and decisions of the Board of Directors regarding the internal control and risk management system, as well as of checking the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- the **Executive Director in charge of the internal risk control system**, with the task of identifying the main corporate risks, implementing the risk management guidelines and checking their adequacy;
- the **Executive in charge of the financial reporting**, who has direct supervision of the control model pursuant to Law 262/2005 and of the related administrative and accounting procedures, in connection with the constant updating of the same;
- the **Internal Audit** function, with the task of checking, both continuously as well as in relation to specific requirements and in compliance with international standards, the operation and appropriateness of the internal control and risk management system, via an audit plan approved by the Board of Directors, which is based on a structured analysis of the main risks.

The main strategic and operating risks are identified and assessed through a risk assessment, the results of which are described and discussed with all relevant bodies for the internal control and risk management system and with the Board of Directors.

This activity enables specific actions to be identified to mitigate the risks identified.

Based on the economic and financial results achieved in the last few years, there are currently no significant uncertainties that raise significant doubts as to its ability to continue to operate as a going concern.

The external and internal risk factors are nevertheless analysed below, classified according to the risk families identified as follows:

External risks;

(a) Market risks;
(b) Contextual risks.

Internal risks:

(c) Strategic risks;
(d) Operating risks;
(e) Financial risks;
(f) Legal compliance risks.

11.1. EXTERNAL RISKS

(a) Market risks

Risks associated with the general economic conditions and market trends

In the international context, the short-term world economic outlook remains favourable on the whole, despite an increased risk that the evolution of protectionist policies could slow down global trade and the work of companies operating on international markets.

Estimates based on annual figures suggest that growth will continue in Italy at an estimated rate of 1.3% in 2018, continuing with positive prospects for the next two years. Potential for growth remains, however, limited due to the increased volatility of financial markets, in relation to the uncertain political situation.

On the whole, the principal risks to growth of the global economy are accentuation of a protectionist orientation in the key economic areas and continued financial uncertainty with possible repercussions for economic policy.

The Gefran Group operates through subsidiaries in international markets; this widespread geographic presence enables the Group to mitigate the effects of any recessionary phases. Diversification of the markets where the Group operates and the products it offers reduces exposure to the cyclical trends of some markets. However, the possibility that these trends may have a significant impact on the Group’s operations and economic and financial situation, which at present cannot be gauged, cannot be ruled out.

Risks associated with the market structure and competitive pressure

Gefran operates on open, unregulated markets that are not protected by any tariff barriers, regulated regime or public concession. The markets are highly competitive in terms of product quality, innovation, price competitiveness, product reliability and customer service to machinery manufacturers.

The Group competes with extremely stiff competition: operators which are large groups that may have greater resources and better cost positions, both in terms of economies of scale and factor costs, enabling them to implement aggressive pricing policies.

The success of the Gefran Group’s activities derives from its capacity to focus its efforts on specific industrial sectors, concentrating on resolving technological problems and on customer service, thereby providing greater value to customers in the niche markets in which it competes.

Should the Group prove unable to develop and offer innovative and competitive products and solutions that match those supplied by its main competitors in terms of price, quality, functionality, or should there be delays in such developments, sales volumes could decline, with a negative impact on the Group’s economic and financial results.

Although the Gefran Group believes that it can adapt its cost structure if sales volumes decrease, the risk is that such a reduction in the cost structures will not be sufficiently large, quick or consistent with a possible fall in prices, thereby negatively affecting its economic and financial situation.

(b) Contextual risks

Exchange rate risk

As a global operator, the Gefran Group is exposed to market risks stemming from exchange rate fluctuations in the currencies of the various countries in which it operates.

Exposure to exchange rate risk is linked to the presence of production activities concentrated in Italy and commercial activities in various geographical regions outside the Eurozone. This organisational structure generates flows in currencies other than the currency in the place of production, mainly the US dollar, the Chinese renminbi, the Brazilian real, the Indian rupee, the Swiss franc, the Turkish lira and the UK pound; production areas in the US, Brazil, India, Switzerland and China mainly serve their local markets, with flows in the same currency.

Exchange rate risk arises when future transactions or assets and liabilities already recorded in the statement of financial position are denominated in a currency other than the functional currency of the company conducting the operation. In order to manage the exchange rate risk resulting from future commercial transactions and the recording of assets and liabilities in foreign currencies, the Group first and foremost exploits so-called natural hedging, seeking to level out the incoming and outgoing flows on all the currencies other than the Group's functional currency; furthermore, Gefran evaluates and if necessary establishes hedging transactions on the main currencies, by means of the Parent Company signing futures contracts. However, since the Company prepares its consolidated financial statements in euros, fluctuations in the exchange rates used to translate subsidiaries' accounting figures, originally expressed in local currency, may affect the Group's results and financial position.

Interest rate risk

Changes in interest rates affect the market value of the Group's financial assets and liabilities, as well as net financial charges. The interest rate risk to which the Group is exposed mainly originates from long-term financial payables. The Group is exposed almost exclusively to fluctuations in the euro rate, since bank loans have been taken out by the Parent Company Gefran S.p.A., which supports the subsidiaries' financial requirements, also through cash pooling.

These variable-rate loans expose the Company to a risk associated with interest rate volatility, known as cash flow risk. To limit exposure to this risk, the Parent Company puts in place derivative hedging contracts, specifically Interest Rate Swaps (IRS), which convert the variable rate to a fixed rate, or Interest Rate Caps (CAP), which set the maximum interest rate, thereby reducing the risk originating from interest rate volatility.

The potential rise in interest rates, from the lows reached at present, is a possible risk factor for the next few quarters, although this is limited by hedging contracts.

Risks associated with fluctuations in commodity prices

Since the Group's production mainly involves mechanical, electronic and assembly processes, exposure to energy price fluctuations is very limited.

The Group is exposed to changes in basic commodity prices (e.g. metals) to a small extent, given the product cost component related to these materials is very limited.

Risks associated with changes in the regulatory framework

Since the Group makes and distributes electronic components used in electrical applications, it is subject to numerous legal and regulatory requirements in the various countries in which it operates, and to the national and international technical standards applicable to companies operating in the same industry and to the products made and sold by the Group.

Any changes in laws or regulations could entail substantial costs to adapt the product characteristics or even temporary suspension of the sale of some products, which would affect revenues.

The Group places great importance on the protection of the environment and safety.

Its activities do not include the manufacture or processing of materials or components to an extent that would generate a significant risk of pollution or environmental damage.

The Group has introduced a series of controls and monitoring to detect and prevent any potential increase in this risk. Furthermore, it has taken out an insurance policy to cover potential liabilities arising from environmental damage to third parties.
It is, however, possible that there are still some residual environmental risks that have not been adequately identified and covered.

The enactment of other regulations that apply to the Group or its products, or changes in the regulations currently in force in the sectors in which the Group operates, also internationally, could force the Group to adopt more rigorous standards or limit its freedom of action in its areas of operation. These factors could entail costs relating to adapting the production facilities or product characteristics.

Country risk

A significant portion of the Group's production and sales activities is carried out outside the European Union, particularly in Asia, the US, Brazil and Turkey. The Group is exposed to risks relating to the global scale of its operations, including those relating to:

- exposure to local economic and political conditions;
- the implementation of policies restricting imports and/or exports;
- operating in multiple tax regimes;
- the introduction of policies limiting or restricting foreign investment and/or trade.

Unfavourable political and economic developments in the countries in which the Group operates could have a negative impact – the extent of which would vary by country – on the Group's prospects and operations, and its results.

11.2. INTERNAL RISKS

(c) Strategic risks

Risks associated with the implementation of the Group's strategy

The Gefran Group's ability to improve profitability and achieve its targeted margins depends, among other things, on its success in implementing its strategy. Group strategy is based on sustainable growth, which can be achieved through investment and projects for products, applications and geographical markets, that lead to growth in profitability.

Gefran plans to implement its strategy by concentrating available resources on growing its core industrial business, favouring growth in strategic products that guarantee volumes, and in which the Group is technological and market leader. Gefran continues to make changes to its organisational structure, work processes and staff know-how to increase specialisation in research, marketing and sales by product and by application.

Given the uncertainty regarding the future macroeconomic environment, the operations described could take longer to implement than expected or may not prove fully satisfactory for the Group.

(d) Operating risks

Risks associated with relations with suppliers

The Group purchases raw materials and components from a large number of suppliers and depends on services and products supplied by other companies outside the Group.

Conversely, electronic components, particularly microprocessors, power semi-conductors and memory chips, are purchased from leading global producers. Although these suppliers are reliable, it cannot be ruled out that problems they could encounter - in terms of quality, availability or delivery times - could have a detrimental effect on the Group's operations and results, at least in the short term, until the supplier can be replaced, or the product modified.

Risks associated with product development, management and quality

The Group's value chain covers all activities, including R&D, production, marketing, sales and technical support. Defects or errors in these processes may cause product quality problems that could potentially affect the Group's results and financial position.

In line with the practices of many operators in the sector, Gefran has taken out insurance policies that it considers sufficient to protect itself from the risks resulting from this liability. Furthermore, it has set up a specific product warranty provision to meet these risks, in line with the volume of activities and the historical occurrence of these phenomena.

However, should the insurance cover and risk provisions prove inadequate, the Group's results could be negatively affected. In addition, the Group's involvement in this type of dispute and any ruling against it therein could expose the Group to reputational damage, which also has potential consequences for the Group's results and financial position.

Risks associated with operations at industrial facilities

Gefran is an industrial group, so it is potentially exposed to the risk of production stoppages at one or more of its plants, due, for example, to machinery breakdowns, revocation or disputes regarding permits or licences from public authorities (e.g. following changes in the law), strikes or manpower shortages, natural disasters, major disruptions to the supply of raw materials or energy, sabotage or attack.

There have been no significant interruptions of activity in recent years. However, future interruption cannot be ruled out, and if it occurs for lengthy periods, the Group's results and financial position could be negatively affected if the damage exceeds the amount currently covered by insurance policies.

Gefran has also implemented a *disaster recovery* system designed to restore the systems, data and infrastructures necessary for the Company's operations in the event of a serious emergency, in order to mitigate its possible impact.

Risks associated with human resources

Relations with employees are governed by law, collective agreements and supplementary company agreements, particularly in Italy.

The Group's success depends to a large extent on the ability of its executive directors and other managers to manage the Group and its Sectors effectively, and on the quality, technical and managerial ability and motivation of its human resources, also with the aim of attracting and retaining talent and skills; initiatives such as FLY and Wellfran were started in 2017 with this goal in mind.

(e) Financial risks

Risks associated with funding requirements

The Gefran Group's financial situation is subject to risks associated with the general economic environment, the achievement of objectives and trends in the sectors in which the Group operates.

Gefran's capital structure is strong; it has own funds of EUR 68.9 million versus overall liabilities of EUR 69.7 million. During the first half of 2018, the Parent company did not take out new medium- to long-term loans. With regard to existing loans, they were all negotiated at variable rates, determined by the Euribor plus a fixed spread, which in the last two years was always below 150 bps. Some of these outstanding loans, whose remaining value at 30 June 2018 was EUR 7.1 million, contain covenants. At 30 June 2018, the Group was fully in compliance with these clauses.

Liquidity risk

The Group expects to be able to continue to provide the financial resources necessary for its investment programmes and business management. The credit lines and cash on hand are sufficient in relation to the Group's operations and growth forecasts. Lines of credit granted by banks were subject to an annual review in the second half of the year, leading to the essential confirmation of the terms and conditions and amounts.

Credit risk

The Group has business relations with a large number of customers. Customer concentration is not high, since no customer accounts for more than 10% of overall revenues. Supply agreements are normally long-term, because Gefran products form part of the customer's product design, and they are incorporated into the end product and have a significant influence on its performance. In accordance with IFRS 7.3.6a, all amounts presented in the financial statements represent the maximum exposure to credit risk.

The Group grants its customers deferred payment conditions, which vary according to the market practices in individual countries. All customers' solvency is regularly monitored, and any risks are periodically covered by appropriate provisions. Despite these precautions, under current market conditions, it cannot be ruled out that some customers may not be able to generate sufficient cash flow or may lack access to sufficient sources of funding, resulting in payment delays or a failure to honour obligations.

(f) Legal compliance risks

Ethical risks

The Gefran Group has always been committed to applying and observing rigorous ethical and moral principles when conducting its internal and external activities, in full compliance with the laws in force and market regulations. The adoption of the Code of Ethics, the internal procedures put in place to comply with this code and the controls adopted guarantee a healthy, safe and efficient working environment for employees, and an approach intended to ensure complete respect for external stakeholders. The Group believes that ethics in business management must be pursued alongside financial growth, and the Code is therefore an explicit point of reference for everyone working with the Company.

Gefran has also effectively adopted an Organisation and Management Model pursuant to Legislative Decree No. 231/2001. The Group believes that this is not only a regulatory obligation but also a source of growth and wealth generation and has therefore fully restructured its activities and internal procedures in order to prevent the offences set out in this regulation from being committed. The Supervisory Board established by the Board of Directors performs its duties regularly and professionally, guaranteed by the presence of an internal company officer and two external professionals, one an expert in business and international law and the other with excellent knowledge of administration and control systems.

The Group conducts the bulk of its business with private customers, which do not directly or indirectly belong to government organisations or public agencies, and rarely takes part in public tenders or subsidised projects. This further limits the risks of reputational or economic damage resulting from unacceptable ethical conduct.

Legal risks and product liability

Within the scope of Gefran's core business, the manufacture and sale of products may give rise to issues linked to defects and consequent liability in respect of its customers or third parties. Like other operators in the industry, the Group is therefore exposed to the risk of product liability litigation in the countries in which it operates.

In line with the practices of many operators in the sector, Gefran has taken out insurance policies that it considers sufficient to protect itself from the risks resulting from this liability. It has also set up a specific provision against these risks.

However, in the event that the insurance cover and risk provisions prove inadequate, the Group’s results could be negatively affected. In addition, the Group's involvement in this type of dispute and any ruling against it could expose the Group to reputational damage, which also has potential consequences for the Group's results and financial position.

Risks associated with intellectual property rights

Although the Group considers it has adopted an appropriate system to protect its intellectual property rights, it cannot be ruled out that it may encounter difficulties defending these rights.

Furthermore, the intellectual property rights of third parties could inhibit or limit the Group’s capacity to introduce new products onto the market. These events could have a negative impact on the development of activities and the Group’s results and financial position.

10. SIGNIFICANT EVENTS DURING THE FIRST HALF OF THE YEAR

- On 24 April 2018, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - Approve the Financial Statements for the financial year 2017 and distribute a dividend of EUR 0.35 per share;
  - Appoint the following as members of the Board of Statutory Auditors for the three-year period 2018–2020: Marco Gregorini (Chairman), Roberta Dell'Apa and Primo Ceppellini;
  - Appoint Ennio Franceschetti as Honorary Chairman;
  - Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the Shareholders' Meeting.

  The shareholders also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to Article 123-*ter* of the TUF.

- The Gefran S.p.A. Board of Directors, meeting at the end of the annual meeting, appointed Maria Chiara Franceschetti as Chairman of the Board of Directors and Giovanna Franceschetti and Andrea Franceschetti as Vice Chairmen. Alberto Bartoli continues as the Group's Managing Director.

- On 2 May 2018 Christian Pampallona joined the Gefran Group as General Manager of the Motion Control Business Unit.

11. SIGNIFICANT EVENTS AFTER THE END OF THE FIRST HALF OF 2018

- On 4 July 2018 the new company Gefran Drives and Motion Srl was established, 100% owned by Gefran S.p.A. and not yet active.

12. OUTLOOK

In an international economic scenario in which short-term global prospects remain on the whole favourable, the Italian economy has continued to grow despite a number of signals of slow-down which began to appear in the second quarter of 2018, emerging out of the static situation of industrial production; there is however still a risk of shrinkage in connection with current protectionist policies and the consequent worsening of tension in trade between the United States and its principal economic partners.

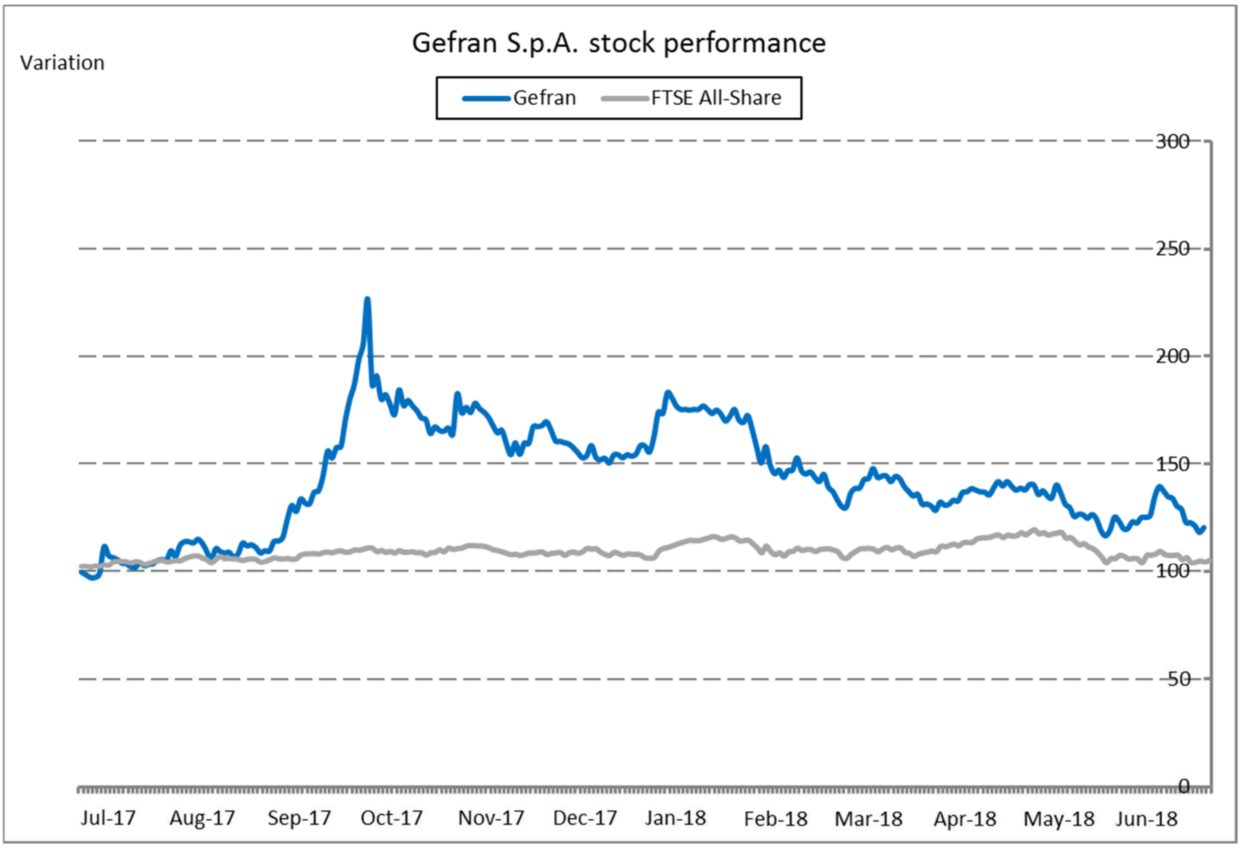
In this context, we are starting to see the first signs of a slowdown in some of the markets the Group serves. This, together with the increase in management costs as a result of implementing the plan, will lead to weaker results in the second half of the year compared to the first. Give this situation, overall 2018 revenues are expected to exceed the previous year's results, while margins are expected to be in line with those of the year 2017.

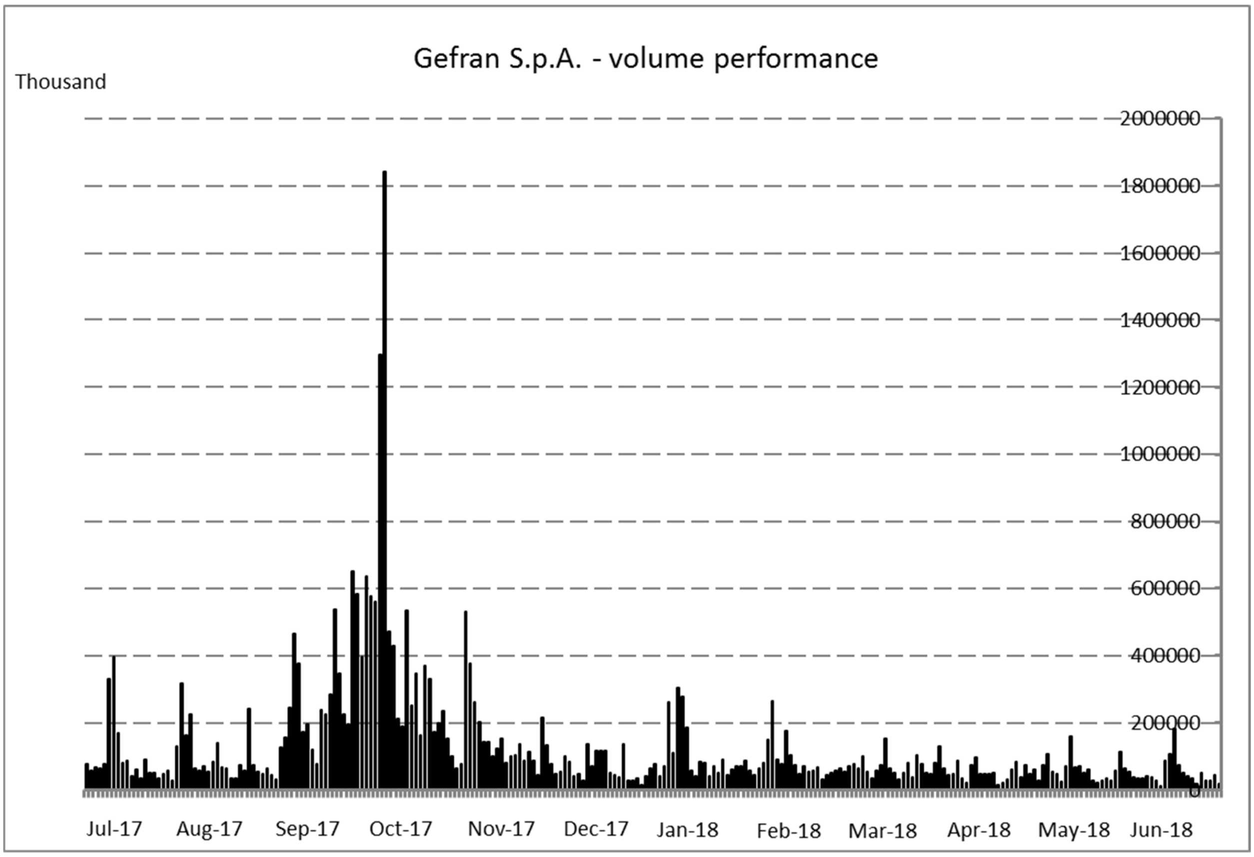
13. OWN SHARES AND STOCK PERFORMANCE

At 30 June 2018 Gefran S.p.A. did not hold any own shares in its portfolio and at the reporting date the situation is unchanged.

The first half of 2018 saw no purchases of own shares, and brokerage on Gefran's shares took place regularly.

Below we summarise the performance of the stock and volumes traded in the last 12 months:





14. DEALINGS WITH RELATED PARTIES

During its meeting on 12 November 2010, the Gefran Board of Directors approved the "*Regulation for transactions with related parties*" in application of Consob resolution No. 17221 dated 12 March 2010. This regulation is published in the *"Investor relations / Corporate Governance"* section of the web site www.gefran.com.

The regulation is based on the following general principles:

- ensuring the essential and procedural transparency and probity of transactions with related parties;
- providing directors and statutory auditors with an appropriate assessment, decision-making and control tool regarding transactions with related parties.

The regulation is structured as follows:

- **First section**: definitions (related parties, significant and insignificant transactions, intercompany, ordinary, of negligible amount, etc.).
- **Second section**: procedures to approve significant and insignificant transactions, exemptions.
- **Third section**: disclosure obligations.

The procedure in question was updated by the Board of Directors on 3 August 2017 to bring the content in line with current regulations, specifically the entry into force of the "Market Abuse" regulation, EU 596/2014.

See paragraph 30.4 of the Notes to the Consolidated Interim Financial Statements for details on transactions with related parties.

15. DEROGATION FROM THE OBLIGATIONS TO PUBLISH THE INFORMATION DOCUMENTS

Pursuant to Article 70, paragraph 8, and article 71, paragraph 1-*bis*, of Consob's Issuers' Regulation, the Board of Directors decided to take advantage of the option to derogate from the obligations to publish the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals.

CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

(EUR / 000)	notes	2Q 2018	2Q 2017	progressive as at 30 June 2018	progressive as at 30 June 2017
Revenues from product sales	22	35,485	32,410	70,055	64,554
of which related parties:	*30.4*	*43*	*31*	*43*	*61*
Other revenues and income	23	58	362	205	496
of which non-recurring:	*11*	*0*	*0*	*0*	*0*
Increases for internal work		256	142	621	310
TOTAL REVENUES		**35,799**	**32,914**	**70,881**	**65,360**
Change in inventories	16	378	(95)	3,247	(395)
Costs of raw materials and accessories	24	(13,007)	(11,351)	(27,381)	(22,172)
Service costs	25	(6,366)	(5,531)	(12,110)	(10,877)
of which related parties:	*30.4*	*(78)*	*(24)*	*(121)*	*(75)*
Miscellaneous management costs		(161)	(36)	(428)	(274)
Other operating income		12	16	14	69
Personnel costs	26	(11,429)	(10,962)	(23,164)	(22,407)
of which non-recurring:	*11*	*0*	*0*	*0*	*(321)*
Impairment/reversal of trade and other receivables	16	207	(193)	151	(246)
Amortisation	27	(591)	(581)	(1,184)	(1,160)
Depreciation	27	(971)	(892)	(1,904)	(1,807)
EBIT		**3,871**	**3,289**	**8,122**	**6,091**
of which non-recurring:	*11*	*0*	*0*	*0*	*(321)*
Gains from financial assets	28	394	370	602	836
Losses from financial liabilities	28	(485)	(1,126)	(1,012)	(1,829)
(Losses) gains from shareholdings valued at equity		(57)	(69)	(94)	(75)
PROFIT (LOSS) BEFORE TAX		**3,723**	**2,464**	**7,618**	**5,023**
of which non-recurring:	*11*	*0*	*0*	*0*	*(321)*
Current taxes	29	(1.071)	(508)	(1,929)	(1,261)
Deferred tax assets and liabilities	29	(326)	679	(753)	681
TOTAL TAXES		**(1,397)**	**171**	**(2,682)**	**(580)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**2,326**	**2,635**	**4,936**	**4,443**
of which non-recurring:	*11*	*0*	*0*	*0*	*(321)*
Net profit (loss) from assets held for sale	17	(461)	0	(875)	0
NET PROFIT (LOSS) FOR THE YEAR		**1,865**	**2,635**	**4,061**	**4,443**
of which non-recurring:	*11*	*0*	*0*	*0*	*(321)*
Attributable to:					
Group		1,865	2,635	4,061	4,443
Third parties		0	0	0	0

Earnings per share (Euro)	note	2Q 2018	2Q 2017	progressive as at 30 June 2018	progressive as at 30 June 2017
Basic earnings per ordinary share	20	0.28	0.31	0.28	0.31
Diluted earnings per ordinary share	20	0.28	0.31	0.28	0.31

2. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AND OTHER ITEMS OF COMPREHENSIVE INCOME

(EUR / 000)	*note*	2Q 2018	2Q 2017	progressive as at 30 June 2018	progressive as at 30 June 2017
PROFIT (LOSS) FOR THE YEAR		**1,865**	**2,635**	**4,061**	**4,443**
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period					
- conversion of foreign companies' financial statements	*19*	343	(1,173)	172	(1,335)
- equity investments in other companies	*19*	(99)	131	(194)	369
- fair value of cash flow hedging derivatives	*19*	(12)	52	9	159
Total changes, net of tax effect		**232**	**(990)**	**(13)**	**(807)**
Comprehensive result for the period		**2,097**	**1,645**	**4,048**	**3,636**
Attributable to:					
Group		2,097	1,645	4,048	3,636
Third parties		0	0	0	0

3. STATEMENT OF FINANCIAL POSITION

(EUR / 000)	*notes*	30 June 2018	31 December 2017
NON-CURRENT ASSETS			
Goodwill	*13*	5,822	5,753
Intangible assets	*14*	6,420	6,852
Property, plant, machinery and tools	*15*	37,750	35,563
of which related parties:	*30.4*	*468*	*168*
Shareholdings valued at equity		977	1,071
Equity investments in other companies		1,809	2,006
Receivables and other non-current assets		84	89
Deferred tax assets	*29*	7,802	8,567
Non-current financial assets	*18*	139	166
TOTAL NON-CURRENT ASSETS		**60,803**	**60,067**
CURRENT ASSETS			
Inventories	*16*	23,427	20,264
Trade receivables	*16*	33,166	29,386
of which related parties:	*30.4*	*20*	*55*
Other receivables and assets		5,001	4,859
Current tax receivables	*29*	580	668
Cash and cash equivalents	*18*	15,524	24,006
Financial assets for derivatives	*18*	37	56
TOTAL CURRENT ASSETS		**77,735**	**79,239**
ASSETS HELD FOR SALE		**0**	**1,214**
TOTAL ASSETS		**138,538**	**140,520**
SHAREHOLDERS' EQUITY			
Share capital	*19*	14,400	14,400
Reserves	*19*	50,418	48,647
Profit/(loss) for the year	*19*	4,061	6,864
Total Group Shareholders' Equity		**68,879**	**69,911**
Shareholders' equity of minority interests	*19*	-	-
TOTAL SHAREHOLDERS' EQUITY		**68,879**	**69,911**
NON-CURRENT LIABILITIES			
Non-current financial payables	*18*	10,799	13,933
Employee benefits		4,982	5,092
Non-current provisions	*21*	203	279
Deferred tax provisions	*29*	632	647
TOTAL NON-CURRENT LIABILITIES		**16,616**	**19,951**
CURRENT LIABILITIES			
Current financial payables	*18*	13,977	14,999
Trade payables	*16*	23,949	19,029
of which related parties:	*30.4*	*215*	*90*
Financial liabilities for derivatives	*18*	46	76
Current provisions	*21*	1,755	1,473
Current tax payables	*29*	943	2,502
Other payables and liabilities		12,373	12,579
TOTAL CURRENT LIABILITIES		**53,043**	**50,658**
TOTAL LIABILITIES		**69,659**	**70,609**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**138,538**	**140,520**

4. CONSOLIDATED CASH FLOW STATEMENT

(EUR / 000)	note	30 June 2018	30 June 2017
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**24,006**	**20,477**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period		4,061	4,443
Depreciation/amortisation	27	3,088	2,967
Capital (gains) losses on the sale of non-current assets		23	(40)
Writedown of assets held for sale	17	1,214	0
Net result from financial operations	28	504	1,068
Taxes	29	1,590	1,261
Change in provisions for risks and future liabilities	21	92	(960)
Change in other assets and liabilities		(1,820)	(3,392)
Change in deferred taxes	29	753	(685)
Change in trade receivables	16	(3,959)	(320)
of which related parties:	*30.4*	*35*	*(23)*
Change in inventories	16	(3,247)	396
Change in trade payables	16	4,921	5,753
of which related parties:	*30.4*	*125*	*91*
TOTAL		**7,220**	**10,491**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	14, 15	(4,826)	(2,724)
of which related parties:	*30.4*	*(468)*	*(81)*
- Equity investments and securities		3	0
- Financial receivables		5	55
Disposal of non-current assets		(18)	41
TOTAL		**(4,836)**	**(2,628)**
D) FREE CASH FLOW (B+C)		**2,384**	**7,863**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	18	0	0
Repayment of financial payables	18	(5,086)	(5,193)
Increase (decrease) in current financial payables	18	2,000	674
Taxes paid	29	(2,852)	(1,167)
Interest (paid)	28	(261)	(285)
Interest (received)	28	123	0
Sale of own shares	19	0	1,129
Change in shareholders' equity reserves	19	243	(457)
Dividends paid	19	(5,040)	(3,596)
TOTAL		**(10,873)**	**(8,895)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**(8,489)**	**(1,032)**
G CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	*17*	-	-
H) Exchange rate translation differences on cash at hand		7	(494)
I) NET CHANGE IN CASH AT HAND (F+G+H)		**(8,482)**	**(1,526)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**15,524**	**18,951**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR / 000)	*Note*						*overall EC reserves*						
		Share capital	**Capital reserves**	**Consolidation reserve**	**Other reserves**	**Retained profit /(loss)**	**Fair value measurement reserve**	**Currency translation reserve**	**Other reserves**	**Profit/(loss) for the year**	**Group Total shareholders' equity**	**Shareholders' equity of minority interests**	**Total shareholders' equity**
Balances at 1 January 2017		14,400	21,926	11,022	9,555	1,706	(65)	5,076	(661)	3,948	66,908	0	66,908
Allocation of 2016 profit													
- Other reserves and provisions	*19*			(4,094)	0	8,042				(3,948)	0		0
- Dividends	*19*					(3,600)					(3,600)		(3,600)
Income/(expenses) recognised at equity	*19*			1,278			254		110		1,642		1,642
Change in translation reserve	*19*							(1,951)	0	0	(1,951)		(1,951)
Other changes	*19*			(1,235)	696	587					48		48
2017 profit	*19*									6,864	6,864		6,864
Balances at 31 December 2017		14,400	21,926	6,971	10,251	6,735	189	3,125	(551)	6,864	69,911	0	69,911
Allocation of 2017 profit													
- Other reserves and provisions	*19*			(1,583)	0	8,448				(6,864)	0		0
- Dividends	*19*					(5,040)					(5,040)		(5,040)
Income/(expenses) recognised at equity	*19*			(40)			(185)		0		(225)		(225)
Change in translation reserve	*19*							172	0		172		172
Other changes	*19*			0	0						0		0
2018 profit	*19*									4,061	4,061		4,061
Balances at 30 June 2018		14,400	21,926	5,348	10,251	10,143	4	3,297	(551)	4,061	68,879	0	68,879

NOTES TO THE ACCOUNTS

1. General information

Gefran S.p.A. is incorporated and located at Via Sebina 74, Provaglio d'Iseo (BS).

The semi-annual financial report of the Gefran Group for the period ended 30 June 2018 was approved by the Board of Directors on 02 August 2018, which authorised its publication.

The Group's main activities are described in the Report on Operations.

2. Form and content

The consolidated half-yearly financial statements of the Gefran Group were prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

They comprise the financial statements of Gefran S.p.A., of its subsidiaries and of the direct and indirect affiliates, approved by their respective Boards of Directors. The consolidated companies have adopted international accounting standards, with the exception of some minor Italian and foreign companies, whose financial statements have been restated for the consolidated financial statements of the Group to bring them into line with IAS/IFRS standards.

The independent audit of the semi-annual financial report was conducted by PricewaterhouseCoopers S.p.A.

These consolidated half-yearly financial statements are presented in euro (EUR), the functional currency of most Group companies. Unless otherwise stated, all amounts are expressed in thousands of euros.

3. Accounting schedules

The Gefran Group has adopted:

- a statement of financial position, according to which assets and liabilities are separated into current and non-current categories;
- a statement of profit/(loss) for the year, in which costs are categorised by nature;
- a statement of profit/(loss) for the year and other items of comprehensive income, which shows income and charges posted directly to shareholders' equity, net of tax effects;
- a cash flow statement prepared using the indirect method, through which pre-tax profit is shown net of the effects of non-monetary transactions, any deferral or provision of previous or future operating collections or payments, and revenue or cost items relating to cash flows resulting from investments or financial activities.

With reference to Consob resolution 15519 of 27 July 2006, amounts referring to transactions with related parties and non-recurring items are shown separately from the relevant items in the statement of financial position and income statement.

4. Consolidation principles and valuation criteria

The valuation criteria adopted for the preparation of this semi-annual financial report as at 30 June 2018 are the same as those adopted in preparing the annual financial report for the year ended 31 December 2017.

With reference to Consob Communication DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold in its portfolio any bonds issued by central or local governments or government agencies, and is therefore not exposed to risks generated by market fluctuations. The consolidated financial statements were prepared using the general historic cost criterion, adjusted as required for the valuation of certain financial instruments.

With reference to Consob Communication 0092543 dated 3 December 2015, it is hereby revealed that in the Report on operations the guidelines of the ESMA (ESMA/2015/1415) were followed with regard to the information aimed at ensuring the comparability, reliability and comprehensibility of the Alternative Performance Indicators.

With reference to Consob Communication 0007780 of 28 January 2016, we note that the impact of market conditions on the information in the financial statements was included in the Directors' Report on Operations. We also note that the application of IFRS 13 "Fair value measurement" does not involve significant changes to items in the financial statements for Gefran.

5. Change in the scope of consolidation

The scope of consolidation at 30 June 2018 is different from the scope at 30 June 2017 as Gefran S.p.A.'s share in Axel S.r.l., a company consolidated by the equity method, was reduced from 30% to 15% on 26 July 2017. It also differs with respect to that of 31 December 2017 in that, on 18 June 2018, the Parent Company Gefran S.p.A. completed the closure of the Spanish branch, which was no longer operative.

6. Accounting standards, amendments and interpretations applied since 1 January 2018

As of 1 January 2018, a number of amendments introduced by the international accounting standards and interpretations were applied, none of which affected the Group's Interim Financial Statements significantly. The main changes are described below:

IFRS 15 "Revenues from contracts with customers"

The new standard is applicable retrospectively, for the annual accounting periods beginning on or after 1 January 2018. IFRS 15 sets out the rules for posting revenues, introducing an approach involving the recognition of a revenue item only when the contractual obligations have been fully met. The standard sets out recognition of the revenue based on the following five steps:

1. identification of the contract;
2. identification of the obligations (goods or services);
3. determination of the transaction price;
4. allocation of the transaction price determined in step 3 to the obligations identified in step 2;
5. recognition of the revenues allocated to the obligation when it is performed, i.e. when the customer gains control of the goods and/or services.

The Group has carried out in-depth analysis of the various forms and types of contract used to sell products and ancillary services, as the various obligations are clearly identified and valued separately in almost all existing contracts.

Adoption of IFRS 15 since 1 January 2018 has had no impact for the Group, as the most significant revenue component will continue to be acknowledged consistently with the previous orientation of accounting.

IFRS 9 "Financial instruments”

The new provisions of IFRS 9: (i) amend the classification and measurement model of financial assets; (ii) introduce a new write-down method of financial assets, which takes account of expected credit losses; (iii) amend the provisions on hedge accounting, and (iv) define new criteria for recognising operations to change financial liabilities. The provisions of IFRS 9 are effective as from the accounting periods beginning on or after 1 January 2018. Early application was permitted.

The Group adopted the standard beginning on 1 January 2018 but did not identify any quantitative impact.

IAS 40 “Investment property”

In January 2016, IASB issued an amendment to IAS 40 “Investment Property”. These amendments clarify that change of use is a necessary condition for transfers to or from investment property. These changes apply beginning on 1 January 2018 and had no impact for the Group.

Series of annual amendments to IFRS 2014-2016

In December 2016 lASB issued a series of annual amendments to the 2014-2016 IFRS. The amendments concern:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (applicable from 1 January 2018);
- IAS 28 “Investments in Associates and Joint Ventures” (applicable from 1 January 2018).

The amendments clarify, correct or remove redundant text in the related IFRS standards and had no significant impact on either the financial statements or disclosure.

7. Accounting standards, amendments and interpretations approved but not yet applied

At the date of these half-yearly financial statements, the competent bodies of the European Union have concluded the approval process necessary for the adoption of the following accounting standards and amendments:

IFRS 16 "Leasing"

This new standard will replace the current IAS 17. The main change concerns the recognition in the accounts by the lessees which, on the basis of IAS 17, were obliged to make a distinction between a finance lease (recognised in accordance with the discounted cash flow method) and an operating lease (recognised on a straight-line basis). With IFRS 16, the accounting treatment of operating leases will be placed on the same footing as finance leases. The IASB envisaged the optional exemption for certain lease agreements with a low value and which are short-term. This standard will be applicable from 1 January 2019. Early application is possible if IFRS 15 "Revenues from contracts with customers" is adopted at the same time. The Group plans to apply the new standard as of the date of obligatory efficacy.

A work team has been set up for this purpose, to assess the solutions and the potential impact of application, identifying the best software solution for management of leasing as required by IFRS 16.

8. Accounting standards, amendments and interpretations not approved and not yet applicable

At the date of these interim financial statements, the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the following accounting standards and amendments:

- In December 2016, IASB issued IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration". The amendment deals with the exchange rate to use in transactions and advance consideration paid or received in foreign currency. The amendment will be applicable from 1 January 2018.
- In May 2017, IASB issued the new standard IFRS 17 "Insurance Contracts". The new standard will replace IFRS 4 and will be applicable from 1 January 2021.
- In June 2017, IASB published IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments", which provides information on how to recognise income taxes taking into consideration uncertainties over the tax treatment of specific situations. IFRIC 23 will come into force on 1 January 2019.

The Group will adopt the new standards, amendments and interpretations, based on the expected date of application, and will assess their potential impact, when these have been approved by the European Union.

9. Main decisions in the application of accounting standards and uncertainties in making estimates

In drafting this Interim Financial Report and notes in accordance with the IAS/IFRS standards, the Group makes use of estimates and assumptions to assess certain items. These are not based on historical experience and uncertain assumptions, but on realistic data, assessed regularly and, if necessary, updated, with effect on the income statement for the period and for future periods. The uncertainty inherent in these assessment estimates may lead to misalignment between the estimates made and the actual effects of the estimated events on the financial statements.

Below are the processes that require management to perform assessment estimates, and with regard to which a change in the underlying conditions could have a significant impact on the consolidated financial data:

Provision for inventory write-down

Inventories are stated as the lower between the cost of purchase (measured using the weighted average cost method) and the net realisable value. The provision for inventory write-down is necessary in order to adjust the value of inventories to the estimated realisable value: inventory composition is analysed for slow-moving stocks, with the aim of assessing a provision that reflects any obsolescence of same.

Provision for doubtful receivables

The provision for doubtful receivables reflects management's estimates regarding the recoverability of receivables from customers. Management's assessment is based on experience and on an analysis of situations with a known or probable risk of non-collection.

Goodwill and intangible assets with a finite life

These are periodically subject to evaluation through the impairment test, with the aim of determining their present value and accounting for any differences in value; for details, see the specific sections of the notes to the financial statements.

Employee benefits and non-competition agreements

The provision for the post-employment benefit reserve and the provision for non-competition agreements are posted to the financial statements and annually reviewed by external actuaries, taking into account assumptions regarding the discount rate, inflation and demographic assumptions; for details, see the specific section of the notes to the financial statements.

Deferred tax assets

The recoverability of deferred tax assets is periodically evaluated, based on the results achieved and on the business plans prepared by management.

Current and non-current provisions

Provisions are made for risks of a legal and fiscal nature to represent the risk of a negative outcome. The amount of the provisions posted to the financial statements in relation to these risks represents management's best estimate at that time. This estimate entails the adoption of assumptions that depend on factors that may change over time and that could, therefore, have a significant effect on the current estimates made by management in preparing the Group's consolidated financial statements.

Assets held for sales

The non-current assets held for sale are stated as the lower between the accounting value and the net fair value including the costs for sale, according to the IFRS 5 dispositions. The net profit/(loss) arising from these assets includes also the related fiscal effect.

10. Financial instruments: supplementary disclosure pursuant to IFRS 7

The Group’s activities are exposed to different types of risk: market risk (including exchange rate risks, interest rate risks and price risks), credit risk and liquidity risk. The Group’s risk management strategy focuses on the market unpredictability and is intended to minimise the potential negative impact on the Group’s results. Certain types of risk are mitigated through the use of derivatives. Coordination and monitoring of the main financial risks are centralised in the Group's Finance and Administration Department, as well as in the Purchasing function as regards price risk, in close partnership with the Group's operating units. Risk management policies are approved by the Group's Administration, Finance and Control Department, which provides written guidelines for the management of the risks listed above and the use of financial derivatives and other financial instruments. As part of the sensitivity analyses described below, the effect on the net profit figure and on shareholders’ equity is determined gross of the tax effect.

Exchange rate risks

The Group is exposed to the risk of fluctuations in exchange rates in relation to commercial transactions and cash held in currencies other than the euro, the Group's functional currency. Around 27% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- EUR/USD to the tune of 9%, mainly related to the commercial transactions of the Parent Company Gefran S.p.A. and the subsidiary Gefran Inc.;
- EUR/RMB to the tune of 9%, mainly related to the Chinese operating company Gefran Siei Drives Technology;
- the remainder is divided between EUR/BRL, EUR/GBP, EUR/CHF, EUR/INR and EUR/TRL.

The sensitivity to a hypothetical and unexpected change of the exchange rates of 5% and 10% in the fair value of the financial statement assets and liabilities is shown below:

Description	**30 June 2018**		**30 June 2017**	
(EUR / 000)	-5%	+5%	-5%	+5%
Chinese renminbi	4	(4)	10	(9)
US dollar	(3)	3	19	(17)
Total	1	(1)	29	(26)

Description	**30 June 2018**		**30 June 2017**	
(EUR / 000)	-10%	+10%	-10%	+10%
Chinese renminbi	9	(7)	20	(16)
US dollar	(7)	5	40	(33)
Total	2	(2)	60	(49)

The sensitivity to a hypothetical and unexpected change of the most significant exchange rates of 5% and 10% in the fair value of the net profit for the period is shown below:

Description	**30 June 2018**		**30 June 2017**	
(EUR / 000)	-5%	+5%	-5%	+5%
Chinese renminbi	(29)	27	(65)	58
US dollar	29	(26)	29	(27)
Total	-	1	(36)	31

Description	30 June 2018		30 June 2017	
(EUR / 000)	-10%	+10%	-10%	+10%
Chinese renminbi	(62)	51	(136)	112
US dollar	61	(50)	62	(51)
Total	(1)	1	(74)	61

The sensitivity to a hypothetical and unexpected change of the most significant exchange rates of 5% and 10% in the fair value of the shareholders' equity is shown below:

Description	30 June 2018		30 June 2017	
(EUR / 000)	-5%	+5%	-5%	+5%
Chinese renminbi	3,488	2,175	2,109	713
US dollar	(1,003)	(1,475)	43	(513)
Total	2,485	700	2,152	200

Description	30 June 2018		30 June 2017	
(EUR / 000)	-10%	+10%	-10%	+10%
Chinese renminbi	4,254	1,608	2,923	111
US dollar	(728)	(1,678)	367	(753)
Total	3,526	(70)	3,290	(642)

Interest rate risk

The interest rate risk to which the Group is exposed mainly originates from long-term financial payables with variable interest rate. Variable -rate loans expose the Group to a risk associated with interest rate volatility (cash flow risk). The Group uses derivatives to hedge its exposure to interest rate risk, entering into Interest Rate Swap (IRS) and Interest Rate Cap (CAP) contracts.

The Group's Administration and Finance Department monitors exposure to interest rate risk and proposes appropriate hedging strategies to contain exposure within the limits defined and agreed in the Group's policies, using derivatives when necessary.

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on the consolidated net profit/(loss), comparing interest rates as at 30 June 2018 and 30 June 2017, while keeping other variables unchanged.

(EUR / 000)	30 June 2018		30 June 2017	
	-100	100	-100	100
EUR	(25)	(48)	15	(43)
Total	**(25)**	**(48)**	**15**	**(43)**

The potential impacts shown above are calculated with reference to the net liabilities that account for the most significant portion of the Group's debt on the reporting date of the financial statements, and measuring, on this amount, the effect on net financial charges resulting from the change in interest rates on an annual basis.

The net liabilities considered in this analysis include variable-rate financial receivables and payables, cash and cash equivalents and financial derivatives, the value of which is affected by interest rate fluctuations.

The table below shows the carrying value at 30 June 2018, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

Variable rate	<1 year	1-5 years	>5 years	Total
(EUR / 000)				
Loans due	7,510	10,799	-	18,309
Other accounts payable	99	-	-	99
Account overdrafts	6,368	-	-	6,368
Cash pooling current account overdrafts	-	-	-	-
Leases	-	-	-	-
Total liabilities	**13,977**	**10,799**	**-**	**24,776**
Cash in current accounts	15,437	-	-	15,437
Other cash	-			-
Cash in cash pooling current accounts	-	-	-	-
Total assets	**15,437**	**-**	**-**	**15,437**
Total floating rate	**1,460**	**(10,799)**	**-**	**(9,339)**

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at EUR 9 thousand), cash on hand (positive at EUR 87 thousand) or deferred financial income (positive at EUR 139 thousand).

Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations requires an appropriate level of cash on hand and short-term securities to be maintained, as well as the availability of funds obtainable through an appropriate amount of committed credit lines.

The Group's Administration and Finance Department monitors forecasts on the use of the Group's liquidity reserves based on expected cash flows. The table below shows the amount of liquidity reserves available on the reference dates:

Description	30 June 2018	31 December 2017	Change
(EUR / 000)			
Cash and cash equivalents	87	93	(6)
Cash in bank deposits	15,437	23,913	(8,476)
Term deposits – less than 3 months	-	-	-
Total liquidity	**15,524**	**24,006**	**(8,482)**
Multiple mixed credit lines	17,158	15,283	1,875
Cash flexibility credit lines	6,835	8,835	(2,000)
Invoice factoring credit lines	12,510	12,604	(94)
Total credit lines available	**36,503**	**36,722**	**(219)**
Total liquidity available	**52,027**	**60,728**	**(8,701)**

To complete disclosure on financial risks, the table below shows a reconciliation of financial asset and liability classes, as identified in the Group's statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements:

	Level 1	Level 2	Level 3	Total
(EUR / 000)				
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)	365	-	1,444	1,809
Hedging transactions	-	37	-	37
Total assets	**365**	**37**	**1,444**	**1,846**
Hedging transactions	-	(46)	-	(46)
Foreign exchange forward transactions	-	-	-	-
Total liabilities	**-**	**(46)**	**-**	**(46)**

Level 1: Fair values represented by the prices - listed in active markets (unadjusted) - of financial instruments identical to those being valued that may be accessed at the measurement date. These prices are defined as mark-to-market inputs as they provide a fair value measurement based directly on official market prices, therefore without the need for any modification or adjustment.

Level 2: Fair values determined using evaluation techniques based on variables that may be observed in active markets, which in this case include the evaluation of interest rate hedging and of foreign exchange hedging. As with the Level 1 inputs, the reference value is mark-to-market, i.e. the evaluation method whereby the value of a financial instrument or contract is systematically adjusted according to the current market prices.

Level 3: Fair values determined using evaluation techniques based on variables that may not be observed, and in particular the values of equity investments in other companies that are not listed on international markets, the overall value of which has not changed compared to 31 December 2017.

Below is a reconciliation of financial asset and liability classes, as identified in the Group's statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements, for the first half of 2017:

	Level 1	Level 2	Level 3	Total
(EUR / 000)				
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)	882	-	1,443	2,325
Hedging transactions	-	3	-	3
Total assets	**882**	**3**	**1,443**	**2,328**
Hedging transactions	-	(65)	-	(65)
Total liabilities	**-**	**(65)**	**-**	**(65)**

Credit risk

The Gefran Group deals mainly with known and reliable customers. The Group's credit policy is to subject customers who require extended payment terms and new customers to credit checks. In addition, receivables are monitored over the year to reduce late payments and prevent significant losses.

The Group has adopted a policy of monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market. The writedown process requires receivables to be written down by a percentage which depends on the time range of the outstanding receivable, in view of past experience in specific lines of business and geographical regions, as required by IFRS 9.

Below are the values of gross trade receivables at 30 June 2018 and 31 December 2017:

(EUR / 000)	Total value	Not overdue	Overdue by up to 2 months	Overdue by 2 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	Receivables individually written down
Gross trade receivables at 30 June 2018	35,611	29,452	2,505	630	66	939	2,019
Gross trade receivables at 31 December 2017	32,288	26,159	2,457	691	32	634	2,315

The Gefran Group has established formal procedures for customer credit and credit collection through the credit department and in partnership with leading external law firms. All the procedures put in place are intended to reduce credit risk. Exposure to other forms of credit, such as financial receivables, is constantly monitored and reviewed monthly or at least quarterly, in order to determine any losses or recovery-associated risks.

Risk of change in raw material prices

The Group's exposure to price risk is minimal. Purchases of materials and components subject to fluctuations in raw material prices are not significant. The purchase costs of the main components are usually set with counterparts for the full year and reflected in the budget. The Group has in place structured and formalised governance systems that it uses to regularly analyse its margins. Commercial operations are coordinated by business area, so as to monitor sales and manage discounts.

Fair value of financial instruments

All the Group's financial instruments are recorded in the financial statements at fair value. The amount of financial liabilities valued at amortised cost is considered close to the fair value on the reporting date.

The table below summarises the Group's net financial position, comparing fair value and carrying value:

(EUR / 000)	carrying value		fair value	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Financial assets				
Cash and cash equivalents	87	93	87	93
Cash in bank deposits	15,437	23,913	15,437	23,913
Securities held for trading	-	-	-	-
Financial assets for derivatives	37	56	37	56
Non-current financial assets	139	166	139	166
Total financial assets	**15,700**	**24,228**	**15,700**	**24,228**
Financial liabilities				
Current portion of long-term debt	(7,510)	(9,462)	(7,510)	(9,462)
Short-term bank debt	(6,368)	(5,490)	(6,368)	(5,490)
Financial liabilities for derivatives	(46)	(76)	(46)	(76)
Factoring	(91)	(39)	(91)	(39)
Leasing	-	-	-	-
Other financial payables	(8)	(8)	(8)	(8)
Non-current financial debt	(10,799)	(13,933)	(10,799)	(13,933)
Total financial liabilities	**(24,822)**	**(29,008)**	**(24,822)**	**(29,008)**
Total net financial position	**(9,122)**	**(4,780)**	**(9,122)**	**(4,780)**

11. Non-recurring income (charges)

There were no non-recurring income or charges in the first half of 2018, unlike the first half of 2017, when a total of EUR 321 thousand in non-recurring charges were entered due to employee costs incurred by the subsidiaries Gefran Deutschland Gmbh and Gefran France to complete the restructuring process begun in the year 2016.

12. Information by business area

12.1. Primary segment – sector of activity

The organisational structure of the Gefran Group is divided into three areas of activity: Sensors, Components and Motion control. The economic trends and the main investments are covered in the Report on Operations.

Figures by business area

	(EUR / 000)	Sensors	Components	Motion Control	Eliminations	Not divided	30 June 2018
a	Revenues	32,483	20,234	20,522	(2,979)		70,260
b	Increases for internal work	183	230	208	-		621
c	Consumption of materials and products	7,613	7,136	12,364	(2,979)		24,134
d	**Added value (a+b-c)**	**25,053**	**13,328**	**8,366**		**-**	**46,747**
e	Other operating costs	5,763	3,145	3,465	-		12,373
f	Personnel costs	9,125	7,745	6,295	-		23,164
g	**EBITDA (d-e-f)**	**10,165**	**2,438**	**(1,393)**		**-**	**11,210**
h	Depreciation, amortisation and impairment	1,208	982	898	-		3,088
i	**EBIT (g-h)**	**8,957**	**1,456**	**(2,291)**		**-**	**8,122**
l	Gains (losses) from financial assets/liabilities					(410)	(410)
m	Gains (losses) from shareholdings valued at equity					(94)	(94)
n	**Profit (loss) before tax (i±l±m)**	**8,957**	**1,456**	**(2,291)**		**(504)**	**7,618**
o	Taxes					(2,682)	(2,682)
p	**Result from operating activities (n±o)**	**8,957**	**1,456**	**(2,291)**		**(3,186)**	**4,936**
q	Net Profit (loss) from assets held for sale					(875)	(875)
r	**Group net profit (loss) (p±q)**	**8,957**	**1,456**	**(2,291)**		**(4,061)**	**4,061**

	(EUR / 000)	Sensors	Components	Motion Control	Eliminations	Not divided	30 June 2017
a	Revenues	29,942	18,667	18,599	(2,158)		65,050
b	Increases for internal work	43	222	45	-		310
c	Consumption of materials and products	7,292	6,375	11,058	(2,158)		22,567
d	**Added value (a+b-c)**	**22,693**	**12,514**	**7,586**		**-**	**42,793**
e	Other operating costs	5,393	2,533	3,402	-		11,328
f	Personnel costs	8,779	7,453	6,176	-		22,407
g	**EBITDA (d-e-f)**	**8,521**	**2,529**	**(1,992)**		**-**	**9,058**
h	Depreciation, amortisation and impairment	1,159	887	921	-		2,967
i	**EBIT (g-h)**	**7,362**	**1,642**	**(2,913)**		**-**	**6,091**
l	Gains (losses) from financial assets/liabilities					(993)	(993)
m	Gains (losses) from shareholdings valued at equity					(75)	(75)
n	**Profit (loss) before tax (i±l±m)**	**7,362**	**1,642**	**(2,913)**		**(1,068)**	**5,023**
o	Taxes					(580)	(580)
p	**Result from operating activities (n±o)**	**7,362**	**1,642**	**(2,913)**		**(1,648)**	**4,443**
q	Profit (loss) from assets held for sale					-	-
r	**Group net profit (loss) (p±q)**	**7,362**	**1,642**	**(2,913)**		**(1,648)**	**4,443**

Intersegment sales are booked at transfer prices, which are broadly in line with market prices.

Statement of financial position figures by business area

(EUR / 000)	Sen sors	Compo nents	Motion control	Not divided	30 June 2018	Sen sors	Compo nents	Motion control	Not divided	31 December 2017
Intangible assets	7,242	2,532	2,468		12,242	7,465	2,600	2,540		12,605
Tangible assets	10,705	10,967	16,078		37,750	9,736	10,793	15,034		35,563
Other non-current assets				10,672	10,672				11,733	11,733
Net non-current assets	**17,947**	**13,499**	**18,546**	**10,672**	**60,664**	17,201	13,393	17,574	11,733	59,901
Inventories	6,056	4,449	12,922		23,427	5,112	3,642	11,510		20,264
Trade receivables	12,744	9,365	11,057		33,166	10,860	8,004	10,522		29,386
Trade payables	(7,528)	(6,799)	(9,622)		(23,949)	(6,505)	(5,388)	(7,136)		(19,029)
Other assets/liabilities	(3,330)	(2,899)	(2,083)	577	(7,735)	(3,746)	(2,663)	(2,476)	(669)	(9,554)
Working capital	**7,942**	**4,116**	**12,274**	**577**	**24,909**	5,721	3,595	12,420	(669)	21,067
Provisions for risks and future liabilities	(997)	(64)	(708)	(189)	(1,958)	(933)	(66)	(449)	(304)	(1,752)
Deferred tax provisions				(632)	(632)				(647)	(647)
Employee benefits	(1,343)	(1,856)	(1,783)		(4,982)	(1,369)	(1,895)	(1,828)		(5,092)
Invested capital from operations	**23,549**	**15,695**	**28,329**	**10,428**	78,001	20,620	15,027	27,717	10,113	73,477
Invested capital from assets held for sale	-	-	-	-	-	-	-	-	1,214	1,214
Net invested capital	**23,549**	**15,695**	**28,329**	**10,428**	**78,001**	20,620	15,027	27,717	11,327	74,691
Shareholders' equity				**68,879**	**68,879**				69,911	69,911
Non-current financial payables				10,799	10,799				13,933	13,933
Current financial payables				13,977	13,977				14,999	14,999
Financial liabilities for derivatives				46	46				76	76
Financial assets for derivatives				(37)	(37)				(56)	(56)
Non-current financial assets				(139)	(139)				(166)	(166)
Cash and cash equivalents and current financial receivables				(15,524)	(15,524)				(24,006)	(24,006)
Net debt relating to operations	-	-	-	**9,122**	**9,122**	-	-	-	4,780	4,780
Total sources of financing	-	-	-	**78,001**	**78,001**	-	-	-	74,691	74,691

12.2. Secondary segment - revenues by geographical region

Geographical region	30 June 2018	30 June 2017	Change	%
(EUR / 000)				
Italy	21,363	19,000	2,363	12.4%
European Union	18,900	17,340	1,560	9.0%
Non-EU Europe	3,352	3,295	57	1.7%
North America	7,284	7,210	74	1.0%
South America	2,025	2,276	(251)	-11.0%
Asia	16,849	15,015	1,834	12.2%
Rest of the World	282	418	(136)	-32.5%
Total	**70,055**	**64,554**	**5,501**	**8.5%**

12.3. Secondary segment - investments by geographical region

Geographical region	30 June 2018		30 June 2017	
	intangible assets and goodwill	tangible assets	intangible assets and goodwill	tangible assets
(EUR / 000)				
Italy	705	3,590	391	2,218
European Union	6	31	0	31
Non-EU Europe	0	45	9	5
North America	0	35	4	9
South America	0	94	0	37
Asia	0	320	4	14
Rest of the World	0	0	1	1
Total	711	4,115	409	2,315

12.4. Secondary segment - non-current assets by geographical region

Geographical region	30 June 2018	31 December 2017	Change	%
(EUR / 000)				
Italy	46,097	45,562	535	1.2%
European Union	2,270	2,345	(75)	-3.2%
Non-EU Europe	2,457	2,507	(50)	-2.0%
North America	3,873	3,761	112	3.0%
South America	383	367	16	4.4%
Asia	5,723	5,525	198	3.6%
Rest of the World	0	0	0	n.s.
Total	**60,803**	**60,067**	**736**	**1%**

13. Goodwill

"*Goodwill*" totalled EUR 5,822 thousand as at 30 June 2018, an increase of EUR 69 thousand compared to 31 December 2017, entirely due to the effect of exchange rates and broken down as follows:

(EUR / 000)	31 December 2017	Increases	Decreases	Exchange rate differences	30 June 2018
Gefran France SA	1,310	-	-	-	1,310
Gefran India	41	-	-	(1)	40
Gefran Inc.	2,448	-	-	70	2,518
Sensormate AG	1,954	-	-	-	1,954
	5,753	-	-	69	5,822

The goodwill acquired following business combinations was allocated to specific CGUs for the purpose of impairment testing.

The carrying values of goodwill is shown below.

Description	Year	Goodwill France	Goodwill India	Goodwill USA	Goodwill Switzerland	Total
(EUR / 000)						
Sensors	2018	1,310	-	2,518	1,954	5,782
	2017	1,310	-	2,448	1,954	5,712
Motion Control	2018	-	40	-	-	40
	2017	-	41	-	-	41
Total	**2018**	**1,310**	**40**	**2,518**	**1,954**	**5,822**
	2017	**1,310**	**41**	**2,448**	**1,954**	**5,753**

The main assumptions that management uses to calculate the value in use of the cash generating unit regard the discount rate (WACC) and the long-term growth rate, as well as the cash flows deriving from the Group Plan.

In preparing the condensed consolidated interim financial statements, impairment tests are performed on goodwill values in the presence of any impairment indicators.

In examining possible impairment indicators and developing its evaluations, the Company's management took into account, among other things, the relation between the market capitalisation and carrying value of the Group's Shareholders' Equity.

Moreover, the improvement in the main economic indicators recorded in the first half of 2018 and the forecast for the second half confirm the absence of internal or external impairment indicators.

14. Intangible assets

"Intangible assets" exclusively comprises assets with a definite life, and decreased from EUR 6,852 thousand at 31 December 2017 to EUR 6,420 thousand at 30 June 2018. The movements during the period are shown below.

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2018
(EUR / 000)						
Development costs	17,760	-	-	-	-	17,760
Intellectual property rights	6,787	112	(17)	73	(8)	6,947
Assets in progress and payments on account	372	566	-	(92)	1	847
Other assets	9,384	33	-	57	5	9,479
Total	34,303	711	(17)	38	(2)	35,033

Accumulated amortisation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2018
(EUR / 000)						
Development costs	13,489	773	-	(13)	-	14,249
Intellectual property rights	6,032	159	(17)	-	(5)	6,169
Other assets	7,930	252	-	13	-	8,195
Total	27,451	1,184	(17)	-	(5)	28,613

Net value	31 December 2017	30 June 2018	Changes
(EUR / 000)			
Development costs	4,271	3,511	(760)
Intellectual property rights	755	778	23
Assets in progress and payments on account	372	847	475
Other assets	1,454	1,284	(170)
Total	6,852	6,420	(432)

Development costs include the capitalisation of costs incurred for the following activities:

- EUR 825 thousand relating to new lines for mobile hydraulics, melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK and RK);
- EUR 1,571 thousand for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- EUR 1,115 thousand relating to the new range of ADV 200 drives, lift and power supplies.

These assets are estimated to have a useful life of five years.

Intellectual property rights exclusively comprise the costs incurred to purchase the company IT system management programs and the use of licences for third-party software. These assets have a useful life of three years.

Assets in progress and payments on account include payments on account made to suppliers to purchase software programs and licences expected to be delivered during the next year. This item also includes EUR 587 thousand in development costs, EUR 43 thousand of which pertain to the sensors business, EUR 230 thousand to the automation components business and EUR 314 thousand to the motion control business, the benefits of which will not be reflected in the income statement until subsequent years, which have not therefore been amortised.

The item **other assets** includes almost all the costs incurred by the Parent Company Gefran S.p.A. to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and management software in previous years and in the current year. These assets have a useful life of five years.

The increases in the historical value of *"Intangible assets"* registered in the first half of 2018, amounting to EUR 711 thousand, include EUR 481 thousand linked to capitalisation of internal costs.

This is the table of changes related to the first half of 2017:

Historical cost	**31 December 2016**	**Increases (*)**	**Decreases**	**Reclassifications**	**Exchange rate differences**	**30 June 2017**
(EUR / 000)						
Development costs	16,716	-	-	66	-	16,782
Intellectual property rights	1,669	59	(3)	4,034	(35)	5,724
Assets in progress and payments on account	836	344	-	(213)	-	967
Other assets	7,404	6	-	109	(28)	7,491
Total	26,625	409	(3)	3,996	(63)	30,964

Accumulated amortisation	**31 December 2016**	**Increases**	**Decreases**	**Reclassifications**	**Exchange rate differences**	**30 June 2017**
(EUR / 000)						
Development costs	11,981	749	-	-	-	12,730
Intellectual property rights	736	164	(3)	3,996	(26)	4,867
Other assets	5,648	247	-	-	(5)	5,890
Total	18,365	1,160	(3)	3,996	(31)	23,487

Net value	**31 December 2016**	**30 June 2017**	**Changes**
(EUR / 000)			
Development costs	4,735	4,052	(683)
Intellectual property rights	933	857	(76)
Assets in progress and payments on account	836	967	131
Other assets	1,756	1,601	(155)
Total	8,260	7,477	(783)

(*) include EUR 298 thousand arising from capitalisation of internal costs.

15. Property, plant, machinery and tools

"*Property, plant, equipment and tools*" increased from EUR 35,563 thousand at 31 December 2017 to EUR 37,750 thousand at 30 June 2018. The changes are shown in the table below:

Historical cost	**31 December 2017**	**Increases**	**Decreases**	**Reclassifications**	**Exchange rate differences**	**30 June 2018**
(EUR / 000)						
Land	4,503	-	-	-	7	4,510
Industrial buildings	39,541	877	-	24	20	40,462
Plant and machinery	37,825	850	(6)	1,074	48	39,791
Industrial and commercial equipment	19,764	278	(8)	178	8	20,220
Other assets	7,858	535	(55)	31	4	8,373
Assets in progress and payments on account	1,940	1,575	-	(1,345)	2	2,172
Total	111,431	4,115	(69)	(38)	89	115,528

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2018
(EUR / 000)						
Industrial buildings	19,000	470	-	-	(4)	19,466
Plant and machinery	31,463	889	(5)	-	51	32,398
Industrial and commercial equipment	18,443	382	(8)	-	10	18,827
Other assets	6,962	163	(51)	-	13	7,087
Total	75,868	1,904	(64)	-	70	77,778

Net value	31 December 2017	30 June 2018	Changes
(EUR / 000)			
Land	4,503	4,510	7
Industrial buildings	20,541	20,996	455
Plant and machinery	6,362	7,393	1,031
Industrial and commercial equipment	1,321	1,393	72
Other assets	896	1,286	390
Assets in progress and payments on account	1,940	2,172	232
Total	35,563	37,750	2,187

These assets were not subject to any impairment in the first half of 2018, while fluctuations in exchange rates had a positive impact of approximately EUR 19 thousand.

The biggest changes during the half-year related to:

- investments in plant and production equipment amounting to EUR 1,438 thousand in Italian plants and EUR 372 thousand in the Group's other subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company, which totalled approximately EUR 1,777 thousand;
- investments related to the renewal of electronic office machines and IT equipment in the Parent Company amounting to EUR 353 thousand.

Mortgages on owned buildings amounted to around EUR 36 million, for bank loans relating to property in Provaglio d'Iseo.

The increases in historical value of the *“Property, plant, machinery and tools*”, amounting to EUR 4,115 thousand in total in the first half of 2018, include EUR 140 thousand linked to the capitalisation of internal costs.

This is the table of changes related to the first half of 2017:

Historical cost	31 December 2016	Increases (*)	Decreases	Reclassifications	Exchange rate differences	30 June 2017
(EUR / 000)						
Land	4,535	-	-	-	(20)	4,515
Industrial buildings	39,826	6	(2)	25	(268)	39,587
Plant and machinery	37,336	189	(1,129)	90	(377)	36,109
Industrial and commercial equipment	19,488	212	(10)	61	(56)	19,695
Other assets	8,171	99	(336)	20	(142)	7,812
Assets in progress and payments on account	531	1,809	-	(192)	(4)	2,144
Total	109,887	2,315	(1,477)	4	(867)	109,862

Accumulated depreciation	31 December 2016	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2017
(EUR / 000)						
Industrial buildings	16,313	462	(2)	-	(93)	16,680
Plant and machinery	31,518	766	(1,129)	5	(296)	30,864
Industrial and commercial equipment	17,906	402	(9)	-	(51)	18,248
Other assets	7,219	177	(336)	(1)	(116)	6,943
Total	72,956	1,807	(1,476)	4	(556)	72,735

Net value	31 December 2016	30 June 2017	Changes
(EUR / 000)			
Land	4,535	4,515	(20)
Industrial buildings	23,513	22,907	(606)
Plant and machinery	5,818	5,245	(573)
Industrial and commercial equipment	1,582	1,447	(135)
Other assets	952	869	(83)
Assets in progress and payments on account	531	2,144	1,613
Total	36,931	37,127	196

(*) include EUR 12 thousand arising from capitalisation of internal costs.

16. Net working capital

Net working capital totalled EUR 32,644 thousand, compared to EUR 30,621 thousand as at 31 December 2017, and breaks down as follows:

(EUR / 000)	30 June 2018	31 December 2017	Change
Inventories	23,427	20,264	3,163
Trade receivables	33,166	29,386	3,780
Trade payables	(23,949)	(19,029)	(4,920)
Net amount	**32,644**	**30,621**	**2,023**

The value of "Inventories" at 30 June 2018 is equal to EUR 23,427 thousand, up by EUR 3,163 thousand over 31 December 2017. The balance breaks down as follows:

(EUR / 000)	30 June 2018	31 December 2017	Change
Raw materials, consumables and supplies	14,925	12,095	2,830
Provision for raw materials	*(4,368)*	*(3,406)*	(962)
Work in progress and semi-finished products	8,679	7,406	1,273
Provision for work in progress	*(1,583)*	*(1,280)*	(303)
Finished products and goods for resale	8,021	7,802	219
Provision for finished products	*(2,247)*	*(2,353)*	106
Total	**23,427**	**20,264**	**3,163**

The increase in inventories is attributable to the increase in raw materials stocks in response to growth of revenues and the increase in stocks of semi-products and finished products in response to customers' requirements.

The economic impact of the increased inventories amounts to EUR 3,247 thousand, as the average exchange rate for the period is used for the economic reporting of events.

The obsolescence and slow moving inventories fund was adjusted according to need in the first half of 2018 through specific provisions of EUR 1,355 thousand (EUR 2,597 thousand in the first half of 2017).

"*Trade receivables*" amount to EUR 33,166 thousand, as compared to EUR 29,386 thousand at 31 December 2017, an increase of EUR 3,780 thousand, primarily due to increased revenues in the period; they may be broken down as follows:

(EUR / 000)	30 June 2018	31 December 2017	Change
Receivables from customers	35,611	32,288	3,323
Provision for doubtful receivables	*(2,445)*	*(2,902)*	457
Net amount	**33,166**	**29,386**	**3,780**

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of EUR 36 thousand (EUR 44 thousand at 31 December 2017).

Receivables were adjusted to their estimated realisable value through a specific provision for write-down of doubtful receivables, calculated on the basis of an examination of individual debtor positions and taking into account past experience in each specific line of business and geographical region, as required by IFRS 9. The provision as at 30 June 2018 represents a prudential estimate of the current risk, and registered the following changes:

(EUR / 000)	31 December 2017	Provisions	Uses	Releases	Exchange rate differences	30 June 2018
Provision for doubtful receivables	**2,902**	**161**	**(279)**	**(312)**	**(27)**	**2,445**

Changes in the provision at 30 June 2017 were by contrast as follows:

(EUR / 000)	31 December 2016	Provisions	Uses	Releases	Exchange rate differences	30 June 2017
Provision for doubtful receivables	**4,384**	**246**	**(27)**	**0**	**(148)**	**4,455**

The value of use of the fund includes amounts covering losses on unrecoverable receivables. The Group monitors the situation of the receivables most at risk and initiates the appropriate legal action. The carrying value of trade receivables is considered to approximate to their fair value.

There is no significant concentration of sales to individual customers: this phenomenon remains below 10% of Group revenues.

"*Trade payables*" came to EUR 23,949 thousand, compared with EUR 19,029 thousand at 31 December 2017.

It breaks down as follows:

(EUR / 000)	30 June 2018	31 December 2017	Change
Payables to suppliers	19,988	15,528	4,460
Payables to suppliers for invoices to be received	3,638	3,158	480
Payments on account received from customers	323	343	(20)
Total	**23,949**	**19,029**	**4,920**

The increase in trade payables is linked to the increase in investments made during the first quarter of 2018 and to the increase in purchases of materials for both inventories and services.

17. Operating assets held for sale

"*Operating assets held for sale"* include assets related to the photovoltaic business know-how, in relation to which the terms of the sale were being established.

Losses from assets held for sale in the first half of 2018 amounted to EUR 875 thousand, as a result of the complete write-off of assets pertaining to know-how in the photovoltaic business line of EUR 1,214 thousand which had been the subject of negotiations for sale, and the related fiscal effect, positive for EUR 339 thousand. When the potential buyers announced that they did not intended to exercise their purchase option, the directors opted to write the asset off entirely.

18. Net financial position

The table below shows a breakdown of the net financial position:

(EUR / 000)	30 June 2018	31 December 2017	Change
Cash and cash equivalents and current financial receivables	15,524	24,006	(8,482)
Financial assets for derivatives	37	56	(19)
Non-current financial assets	139	166	(27)
Non-current financial payables	(10,799)	(13,933)	3,134
Current financial payables	(13,977)	(14,999)	1,022
Financial liabilities for derivatives	(46)	(76)	30
Total	**(9,122)**	**(4,780)**	**(4,342)**

The following table breaks down the net financial position by maturity:

(EUR / 000)	30 June 2018	31 December 2017	Change
A. Cash on hand	19	34	(15)
B. Cash in bank deposits	15,505	23,972	(8,467)
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A+B+C)	**15,524**	**24,006**	**(8,482)**
Financial liabilities for derivatives	(46)	(76)	30
Financial assets for derivatives	37	56	(19)
E. Fair value hedging derivatives	(9)	(20)	11
F. Current portion of long-term debt	(7,510)	(9,462)	1,952
G. Other current financial payables	(6,467)	(5,537)	(930)
H. Total current financial payables (F) + (G)	**(13,977)**	**(14,999)**	**1,022**
I. Total current payables (E) + (H)	**(13,986)**	**(15,019)**	**1,033**
J. Net current financial debt (I) + (D)	**1,538**	**8,987**	**(7,449)**
L. Non-current financial assets	**139**	**166**	**(27)**
M. Non-current financial debt	**(10,799)**	**(13,933)**	**3,134**
N. Net financial debt (J) + (L) + (M)	**(9,122)**	**(4,780)**	**(4,342)**
of which to minorities:	*(9,122)*	*(4,780)*	*(4,342)*

Net financial position at 30 June 2018 is negative by EUR 9,122 thousand, a decrease of EUR 4,342 thousand over 31 December 2017.

The change in net financial position is mainly due to the positive cash flow from typical operations (EUR 7,220 thousand), offset by technical investments in the half (EUR 4,826 thousand), by distribution of dividends (EUR 5,040 thousand), and by payment of current taxes (EUR 2,852 thousand).

Please see the Report on Operations for further details on changes in financial operations during the year.

Cash and cash equivalents amounted to EUR 15,524 thousand at 30 June 2018, compared with EUR 24,006 thousand at 31 December 2017. It breaks down as follows:

(EUR / 000)	30 June 2018	31 December 2017	Change
Cash in bank deposits	15,437	23,913	(8,476)
Cash	19	34	(15)
Other cash	68	59	9
Total	**15,524**	**24,006**	**(8,482)**

The technical forms used as at 30 June 2018 are shown below:

- maturities: payable on presentation;
- counterparty risk: deposits are made care of leading banks;

- country risk: deposits are held in countries in which Group companies have their registered offices.

Current financial payables decreased by EUR 1,022 thousand at 30 June 2018 compared with 2017, and break down as follows:

(EUR / 000)	30 June 2018	31 December 2017	Change
Current portion of debt	7,510	9,462	(1,952)
Current overdrafts	6,368	5,490	878
Factoring	91	39	52
Other payables	8	8	-
Total	**13,977**	**14,999**	**(1,022)**

"Factoring", which increased by EUR 52 thousand over the amount in 2017, comprises payables to factoring companies, for the payment extension period following the original maturity of payables with certain suppliers, for which the Parent Company has accepted non-recourse assignment.

Bank overdrafts at 30 June 2018 totalled EUR 6,368 thousand, compared to a balance at 31 December 2017 of EUR 5,490 thousand. The item relates almost entirely to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the annual 2.5%-5.7% range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the annual 0.5%-1.0% range.

Non-current financial payables break down as follows:

Bank	30 June 2018	31 December 2017	Change
BNL	334	666	(332)
Banca Pop. Sondrio	-	195	(195)
Banca Pop. Emilia Romagna	765	1,272	(507)
Mediocredito	2,000	3,000	(1,000)
Unicredit	4,200	4,800	(600)
BNL	3,500	4,000	(500)
Total	**10,799**	**13,933**	**(3,134)**

The loans listed in the table are all variable-rate contracts entered into by Gefran S.p.A., and have the following characteristics:

Bank	Amount disbursed (€/000)	Signing date	Balance as at 30 June 2018	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/2008	732	732	-	Euribor 6m + 0.85%	01/10/2018	half-yearly
Banco di Brescia	EUR 3,000	28/11/2014	321	321	-	Euribor 3m + 1.75%	30/11/2018	monthly
BNL	EUR 3,000	19/12/2014	1,000	666	334	Euribor 6m + 1.35%	18/12/2019	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/2014	582	582	-	Euribor 3m + 2.00%	22/12/2018	quarterly
Banca Pop. Emilia Romagna	EUR 4,000	06/08/2015	1,774	1,009	765	Euribor 3m + 1.25%	03/02/2020	quarterly
Mediocredito	EUR 10,000	07/08/2015	4,000	2,000	2,000	Euribor 3m + 1.35%	30/06/2020	quarterly
Unicredit	EUR 6,000	14/11/2017	5,400	1,200	4,200	Euribor 3m + 0.90%	30/11/2022	quarterly
BNL	EUR 5,000	23/11/2017	4,500	1,000	3,500	Euribor 3m + 0.85%	23/11/2022	quarterly
Total			**18,309**	**7,510**	**10,799**			

The loan granted by Centrobanca is guaranteed by a EUR 36 million mortgage on the properties in Provaglio d'Iseo.

Four of the loans listed above are governed by covenants, specifically:

a) the UBI-Banco di Brescia loan of EUR 3,000 thousand, taken out on 28 November 2014, is subject to two financial covenants:

- consolidated net financial debt to equity ratio of ≤ 0.7;
- consolidated net financial debt to EBITDA ratio of ≤ 3.5.

If the ratios are exceeded, the lending bank will have the right to request early repayment.

b) the BNL loan of EUR 3,000 thousand, taken out on 19 December 2014, is subject to two financial covenants:

- consolidated net financial debt to equity ratio of ≤ 0.7;
- Shareholders' Equity to Total Assets > 30%.

If both ratios are exceeded, the lending bank will have the right to request early repayment.

c) the Banca Popolare Emilia Romagna loan of EUR 4,000 thousand, taken out on 6 August 2015, is subject to the financial covenant:

- consolidated net financial debt to EBITDA ratio of ≤ 3.5.

If the ratio is exceeded, the lending bank will have the right to request early repayment.

d) the Mediocredito loan of EUR 10,000 thousand, taken out on 7 August 2015, is subject to the financial covenants:

- consolidated net financial debt to equity ratio of ≤ 0.7;
- consolidated net financial debt to EBITDA ratio of ≤ 3.5.

A number of outstanding loan contracts include other covenants, in line with market practices, that place limits on the possibility of issuing new real guarantees and conducting extraordinary transactions.

The Administration, Finance and Control Director is responsible for checking these contractual restrictions every quarter: the ratios calculated on the data at 30 June 2018 are fully observed and the loans have been distributed in the table of the maturities according to the forms originally envisaged by the agreements.

Management considers that the credit lines currently available, as well as the cash flow generated by current operations, will enable Gefran to meet its financial requirements resulting from investment activities, working capital management and repayment of debt at its natural maturity.

Financial assets for derivatives totalled EUR 37 thousand as at 30 June 2018, and consist of the positive fair value recorded at the end of the half year of certain CAP contracts entered into by the Parent Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled EUR 46 thousand, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

To mitigate the financial risk associated with floating-rate loans, which could arise in the event of an increase in the Euribor, the Group decided to hedge its variable rate loans through *Interest Rate Cap contracts*, as set out below:

Bank *(EUR /000)*	Notional principal	Signing date	Notional as at 30 June 2018	Derivative	Fair Value at 30 June 2018	Long position rate	Short position rate
Banco di Brescia	EUR 3,000	28/11/2014	321	CAP	0	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/2014	1,000	CAP	0	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 6,000	14/11/2017	5,400	CAP	20	Strike Price 0%	Euribor 3m
BNL	EUR 5,000	23/11/2017	4,500	CAP	17	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**37**		

The Group has also taken out IRS (Interest Rate Swap) contracts, as set out in the table below:

Bank *(EUR /000)*	Notional principal	Signing date	Notional as at 30 June 2018	Derivative	Fair Value at 30 June 2018	Long position rate	Short position rate
Centrobanca	EUR 9,550	31/03/2010	732	IRS	(10)	Fixed 3.11%	Euribor 6m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/2015	1,774	IRS + Floor	(16)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/2015	4,000	IRS	(20)	Fixed 0.16%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(46)**		

At 30 June 2018, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are booked at fair value:

(EUR/000)	at 30 June 2018		at 31 December 2017	
	Positive fair value	**Negative fair value**	**Positive fair value**	**Negative fair value**
Interest rate risk	37	(46)	56	(76)
Total cash flow hedge	**37**	**(46)**	**56**	**(76)**

In order to support its operations, the Group has various credit lines granted by banks and other financial institutions available, mainly in the form of invoice factoring credit lines, cash flexibility and mixed credit lines for a total of EUR 42,396 thousand. Overall use of these lines at 30 June 2018 totalled EUR 6,433 thousand, with a residual available amount of EUR 36,503 thousand.

No fees are due in the event that these lines are not used.

19. Shareholders' equity

Consolidated *"shareholders' equity"* breaks down as follows:

(EUR / 000)	**30 June 2018**	**31 December 2017**	**Change**
Portion pertaining to the Group	68,879	69,911	(1,032)
Portion pertaining to minority interests	-	-	-
Net amount	**68,879**	**69,911**	**(1,032)**

Group consolidated Shareholders' equity at 30 June 2018 amounted to EUR 68,879 thousand, a EUR 1,032 thousand drop compared with 31 December 2017, mainly due to the profit for the period of EUR 4,061 thousand, offset by the distribution of 2017 dividends totalling EUR 5,040 thousand.

Share capital was EUR 14,400 thousand, divided into 14,400,000 ordinary shares, with a nominal value of EUR 1 each.

The company owned none of its own shares as of 31 December 2017, and this situation has remained the same as of 30 June 2018.

The Company has not issued convertible bonds.

For details on the changes in equity reserves in the first half of 2018, see the schedule showing changes in shareholders' equity.

Changes in the “Reserve for the measurement of securities at fair value” are shown in the table below:

(EUR / 000)	**30 June 2018**	**31 December 2017**	**Change**
Balance at 1 January	198	151	47
UBI Banca S.p.A. shares	(6)	16	(22)
Woojin Plaimm Co Ltd shares	(190)	33	(223)
Tax effect	2	(2)	4
Net amount	**4**	**198**	**(194)**

Changes in the *“Reserve for the measurement of derivatives at fair value”* are shown in the table below.

(EUR / 000)	**30 June 2018**	**31 December 2017**	**Change**
Balance at 1 January	(9)	(216)	207
Change in fair value of derivatives	12	204	(192)
Tax effect	(3)	3	(6)
Net amount	**0**	**(9)**	**15**

20. Earnings per share

Basic and diluted earnings per share are shown in the table below:

	2018	**2017**
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	4,061	4,443
- Average No. of ordinary shares *(No./000,000)*	14.40	14.32
- Basic earnings per ordinary share	0.282	0.310
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	4,061	4,443
- Average no. of ordinary shares *(no./000,000)*	14.40	14.32
- Basic earnings per ordinary share	0.282	0.310
Average number of ordinary shares	**14,400,000**	**14,324,202**

21. Current and non-current provisions

"Non-current provisions" decreased by EUR 76 thousand compared with 31 December 2017, and break down as follows:

(EUR / 000)	31 December 2017	Provisions	Uses	Releases	Exchange rate differences	30 June 2018
Gefran S.p.A. risk provisions						
- for legal disputes	74	-	-		-	74
- other provisions	85	-	-	-	-	85
Gefran Brasil risk provisions						
- for legal disputes	3	-	-	(3)	-	-
Gefran France risk provisions						
- for restructuring	2	25	-	-	-	27
Gefran GmbH risk provisions						
- for restructuring	111	-	(111)	-	-	-
Gefran Inc risk provisions						
- for restructuring	-	17	-	-	-	17
Gefran Siei Drives Technology risk provisions						
- for restructuring	4	-	(4)	-	-	-
Total	**279**	**42**	**(115)**	**(3)**	**0**	**203**

The item *"Legal disputes"* includes the provisions made for liabilities related to the settlement of pending disputes regarding claims from customers, some employees and distributors.

"Current provisions" totalled EUR 1,755 thousand at 30 June 2018, up by EUR 282 thousand compared with 31 December 2017, and break down as follows:

(EUR / 000)	31 December 2017	Provisions	Uses	Releases	Exchange rate differences	30 June 2018
FISC	155	15	(114)	-	-	56
Product warranty	1,293	517	(112)	(27)	3	1,674
Other provisions	25	-	-		-	25
Total	**1,473**	**532**	**(226)**	**(27)**	**3**	**1,755**

The item referring to anticipated charges for repairs of products under warranty increased by EUR 381 thousand, mainly due to the adjustment of the provision during the first half of the year; at the end of this period, the adequacy of the provision was checked, with a positive outcome.

The *"FISC"* item includes contractual treatments existing at the German subsidiaries Gefran Deutschland GmbH and Siei Areg.

22. Revenues from product sales

"Revenues from product sales" totalled EUR 70,055 thousand in the first half of 2018, an increase of EUR 5,501 thousand on 2017. The following table provides a breakdown of sales and service revenues by business:

Sector	30 June 2018	30 June 2017	Change	%
(EUR / 000)				
Sensors	32,221	29,604	2,617	8.8%
Automation components	17,634	16,862	772	4.6%
Motion Control	20,200	18,088	2,112	11.7%
Total	**70,055**	**64,554**	**5,501**	**8.5%**

The amount shown under total revenues includes service revenues of EUR 1,673 thousand (EUR 1,488 thousand in the first half of 2017); see the Report on Operations for comments on the performance of the various businesses and geographical regions.

23. Other operating revenues and income

"Other operating revenues and income" total EUR 205 thousand, as compared with revenues of EUR 496 thousand in the first half of 2017, as shown in the following table:

Description	30 June 2018	30 June 2017	Change	%
(EUR / 000)				
Recovery of company canteen expenses	19	10	9	90.0%
Insurance reimbursements	19	0	19	n.s.
Rental income	21	0	21	n.s.
Fees	0	1	(1)	-100.0%
Government grants	33	36	(3)	-8.3%
Other income	113	449	(336)	-74.8%
Total	**205**	**496**	**(291)**	**-59%**

The most significant change was in the item "*Other income*", which dropped by EUR 336 thousand and includes, among other items, charges for product development specifically requested by customers.

24. Costs of raw materials and accessories

"Costs of raw materials and accessories" came to EUR 27,381 thousand, compared with EUR 22,172 thousand at 30 June 2017. They break down as:

Description	30 June 2018	30 June 2017	Change
(EUR / 000)			
Raw materials and accessories	27,381	22,172	5,209

This item increased 23.5% during the half, primarily as a result of increased revenues and inventory dynamics, already described.

25. Service costs

"Service costs" totalled EUR 12,110 thousand, an 11.3% increase on the value in the first half of 2017, EUR 10,877 thousand, and are broken down as follows:

Description	30 June 2018	30 June 2017	Change
(EUR / 000)			
Services	11,153	9,920	1,233
Use of third-party assets	957	957	-
Total	**12,110**	**10,877**	**1,233**

As stated in the three-year plan, the increase in costs is aimed at supporting growth and refers to increased variable industrial costs linked with growth in revenues and greater use of resources in advertising and trade fair projects.

26. Personnel costs

"Personnel costs" in the first half of 2018 totalled EUR 23,164 thousand, up EUR 757 thousand compared to the same period in the previous year, and are broken down as follows:

Description	30 June 2018	30 June 2017	Change
(EUR / 000)			
Salaries and wages	17,689	16,574	1,115
Social security contributions	4,336	4,448	(112)
Post-employment benefit reserve	986	897	89
Other costs	153	488	(335)
Total	**23,164**	**22,407**	**757**

The increase is attributable to the addition of new employees to support the Group's growth.

"Social security contributions" include costs for defined contribution plans for management (Previndai pension plan) amounting to EUR 26 thousand (EUR 36 thousand at 30 June 2017).

The item "Other costs", down EUR 335 thousand, includes, among other items, restructuring costs resulting from reorganisation of the Group's subsidiaries.

The average number of Group employees in the first half of 2018 is shown below:

	30 June 2018	30 June 2017	Change
Managers	16	19	(3)
Clerical staff	481	465	16
Manual workers	249	244	5
Total	**746**	**728**	**18**

The average number of employees was up by 18 over the first half of 2017; the Group had 762 employees as of 30 June 2018, 38 more compared to 30 June 2017 and 32 more than 31 December 2017. For more information, refer to the "Human Resources" section of the Report on Operations.

27. Depreciation/amortisation

Depreciation and amortisation amounted to EUR 3,088 thousand, compared with EUR 2,967 thousand recorded in the same period in the previous year.

Description	30 June 2018	30 June 2017	Change
(EUR / 000)			
Amortisation	1,184	1,160	24
Depreciation	1,904	1,807	97
Total	3,088	2,967	121

The breakdown of depreciation and amortisation by business is summarised in the table below:

Description	30 June 2018	30 June 2017	Change
(EUR / 000)			
Sensors	1,208	1,159	49
Components	982	887	95
Motion control	898	921	(23)
Total	3,088	2,967	121

28. Gains and losses from financial assets/liabilities

The item had a negative balance of EUR 410 thousand; this compares with a negative balance of EUR 993 thousand in the first half of 2017, and breaks down as follows:

Description	30 June 2018	30 June 2017	Change
(EUR / 000)			
Cash management			
Income from cash management	21	21	-
Other financial income	102	32	70
Medium-/long-term interest	(127)	(258)	131
Short-term interest	(8)	(16)	8
Factoring interest and fees	1	(1)	2
Other financial charges	(91)	(19)	(72)
Total income (charges) from cash management	**(102)**	**(241)**	**139**
Currency transactions			
Exchange rate gains	171	778	(607)
Positive currency valuation differences	308	5	303
Exchange rate losses	(411)	(813)	402
Negative currency valuation differences	(376)	(722)	346
Total other income (charges) from currency transactions	**(308)**	**(752)**	**444**
Gains (losses) from financial assets/liabilities	**(410)**	**(993)**	**583**

"Cost of cash management" was down by EUR 139 thousand over the balance at the end of the first half of 2017, thanks to a reduction in interest payable as a result of the shrinkage of average spread on loans.

The balance of the differences on currency transactions presented a negative value of EUR 308 thousand, compared with a negative value of EUR 752 thousand in the first half of 2017. This change is a result of depreciation of the euro registered in comparison with the principal currencies in which the Group deals.

29. Income taxes, deferred tax assets and deferred tax liabilities

The *"Taxes"* item was negative at EUR 2,343 thousand, as compared to a negative balance of EUR 580 thousand in the first half of 2017, and breaks down as follows:

(EUR / 000)	30 June 2018	30 June 2017	Change
Current taxes			
IRES (corporate income tax)	(383)	(64)	(319)
IRAP (regional production tax)	(307)	(408)	101
Foreign taxes	(900)	(789)	(111)
Total current taxes	**(1,590)**	**(1,261)**	**(329)**
Deferred tax assets and liabilities			
Deferred tax liabilities	26	(22)	48
Deferred tax assets	(779)	703	(1,482)
Total deferred tax assets and liabilities	**(753)**	**681**	**(1,434)**
Total taxes	**(2,343)**	**(580)**	**(1,763)**
Of which:			
Allocated on "Net Profit (loss) from assets held for sale"	339	-	339
Total taxes referred to the "Operating activities"	**(2,682)**	**(580)**	**(2,102)**

Current taxes in the first half of 2018 were up by EUR 329 thousand compared with the same period in 2017, mainly due to the recognition of the IRES and IRAP taxable amounts in the Parent Company, which can be offset only in part by prior tax losses, in accordance with current legislation.

Deferred taxes, which were on the whole negative by EUR 753 thousand, originated out of use of advance taxes entered on prior tax losses of the Parent Company and its French subsidiary.

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the first half of 2018:

(EUR / 000)	31 December 2017	Posted to the income statement	Recognised under shareholders' equity	Exchange rate differences	30 June 2018
Deferred tax assets					
Devaluation of inventories	1,436	363	-	4	1,803
Impairment of trade receivables	417	(68)	-	1	350
Impairment of assets	535	-	-	-	535
Deductible losses to be brought forward	5,091	(1,158)	-	12	3,945
Exchange rate balance	-	9	-	-	9
Elimination of unrealised margins on inventories	444	57	-	-	501
Provision for product warranty risk	285	33	-	-	318
Provision for sundry risks	356	(15)	-	-	341
Fair value hedging	3	-	(3)	-	-
Total deferred tax assets	8,567	(779)	(3)	17	7,802
Deferred tax liabilities					
Currency valuation differences	(10)	10	-	-	-
Other deferred tax liabilities	(637)	16	2	(13)	(632)
Total deferred taxes	(647)	26	2	(13)	(632)
Net total	7,920	(753)	(1)	4	7,170

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the first half of 2017:

(EUR / 000)	31 December 2016	Posted to the income statement	Recognised under shareholders' equity	Exchange rate differences	30 June 2017
Deferred tax assets					
Devaluation of inventories	1,358	314		-	1,672
Impairment of trade receivables	362	33		-	395
Deductible losses to be brought forward	3,617	525		(23)	4,119
Exchange rate balance	8	1		-	9
Elimination of unrealised margins on inventories	534	(87)		-	447
Provision for product warranty risk	204	61		-	265
Provision for sundry risks	938	(144)	-	(27)	767
Total deferred tax assets	7,021	703	-	(50)	7,674
Deferred tax liabilities					
Currency valuation differences	-	(19)		-	(19)
Other deferred tax liabilities	(1,005)	(3)		67	(941)
Total deferred taxes	(1,005)	(22)	-	67	(960)
Net total	6,016	681	-	17	6,714

Below is a summary of "*Current tax receivables*":

Description	30 June 2018	31 December 2017	Change
(EUR / 000)			
IRES (corporate income tax)	0	0	0
IRAP (regional production tax)	0	0	0
Foreign tax receivables	580	668	(88)
Total	**580**	**668**	**(88)**

The balance of *"Current tax payables"* as of 30 June 2018 amounted to EUR 943 thousand, down EUR 1,559 thousand over 31 December 2017, primarily due to payment of foreign taxes payable on income in previous years entered in the fourth quarter of 2017; this value was determined as follows:

Description	30 June 2018	31 December 2017	Change
(EUR / 000)			
IRES (corporate income tax)	328	287	41
IRAP (regional production tax)	122	104	18
Foreign tax payables	493	2,111	(1,618)
Total	**943**	**2,502**	**(1,559)**

30. Guarantees granted, commitments and other contingent liabilities

30.1. Guarantees granted

At 30 June 2018, the Group had granted guarantees on payables or commitments of third parties or subsidiaries totalling EUR 9,958 thousand, down from the figure for 31 December 2017, as summarised in the table below:

(EUR / 000)	30 June 2018	31 December 2017
Ubi Leasing	5,918	5,918
Banca Intesa	1,100	1,100
Banca Passadore	2,150	2,750
Banco di Brescia	790	790
Total	9,958	10,558

A surety in favour of UBI Leasing was issued for a total of EUR 5,918 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic systems by BS Energia 2 S.r.l. The residual liability at 30 June 2018 guaranteed by this surety amounts to EUR 2,620 thousand (EUR 2,704 thousand at 31 December 2017).

The sureties issued to Banca Passadore and Banco di Brescia both cover the credit facilities of Ensun S.r.l.

The amount of EUR 1,100 thousand in favour of Banca Intesa relates to a simple letter of patronage issued to guarantee the credit facilities of Elettropiemme S.r.l.

30.2. Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in various legal proceedings and disputes. It is, however, considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

30.3. Commitments

The main operating lease contracts relate to property rentals, electronic equipment and company vehicles. At the reporting date, the payments still owed by the Group on irrevocable operating leases amounted to EUR 2,431 thousand, all falling due within the next five years.

30.4. Dealings with related parties

In accordance with IAS 24, information relating to the Group's dealings with related parties for the first half of 2018 and the same period of the previous year is provided below.

In compliance with Consob resolution no. 17221 of 12 March 2010, the Gefran S.p.A. Board of Directors has adopted the Regulations governing transactions with related parties, the current version of which was approved on 3 August 2017 and may be consulted online at www.gefran.com in the *"Investor relations / Corporate Governance"* area.

Transactions with related parties are part of normal operations and the typical business of each entity involved and are carried out under normal market conditions. There were no atypical or unusual transactions.

Noting that the economic and equity effects of consolidated infragroup transactions are eliminated in the consolidation process, the most significant transactions with other related parties are listed below. These dealings have no material impact on the Group's economic and financial structure. They are summarised in the following tables:

(EUR / 000)	**Elettropiemme S.r.l.**	**Climat S.r.l.**	**Francesco Franceschetti Elastomeri S.r.l.**	**Total**
Revenues from product sales				
2017	0	0	61	**61**
2018	43	0	0	**43**
Service costs				
2017	0	-75	0	**-75**
2018	-25	-96	0	**-121**

(EUR / 000)	**Elettropiemme S.r.l.**	**Climat S.r.l.**	**Francesco Franceschetti Elastomeri S.r.l.**	**Total**
Property, plant, machinery and tools				
2017	0	168	0	**168**
2018	0	468	0	**468**
Trade receivables				
2017	12	0	43	**55**
2018	20	0	0	**20**
Trade payables				
2017	2	88	0	**90**
2018	0	215	0	**215**

In accordance with internal regulations, transactions with related parties of an amount below EUR 50 thousand are not reported, since this amount was determined as the threshold for identifying material transactions.

With regard to dealings with subsidiaries, the Parent Company Gefran S.p.A. provided technical, administrative and management services as well as royalties to the Group's operating subsidiaries amounting to around EUR 1.3 million, governed by specific contracts.

Gefran S.p.A. provides a Group cash pooling service, partly through a "Zero Balance" service, which involves all the European subsidiaries.

None of the subsidiaries holds shares of the Parent Company or held them during the period.

Persons of strategic importance have been identified as members of the executive Board of Directors of Gefran S.p.A. and of other Group companies, as well as executives with strategic responsibilities, identified in the General Director of Sensors and Components Business Unit and the Group's CFO.

Provaglio d'Iseo, 02 August 2018

For the Board of Directors

The Chairman

Maria Chiara Franceschetti

The Chief Executive Officer

Alberto Bartoli

ANNEXES

1. Consolidated income statement by quarter

	(EUR / 000)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	TOT 2017	Q1 2018	Q2 2018	TOT 2018
a	Revenues	32,278	32,772	29,101	34,488	**128,639**	34,717	35,543	**70,260**
b	Increases for internal work	168	142	113	187	**610**	365	256	**621**
c	Consumption of materials and products	11,121	11,446	9,600	11,578	**43,745**	11,505	12,629	**24,134**
d	Added value (a+b-c)	21,325	21,468	19,614	23,097	**85,504**	23,577	23,170	**46,747**
e	Other operating costs	5,584	5,744	5,220	5,617	**22,165**	6,065	6,308	**12,373**
f	Personnel costs	11,445	10,962	9,889	12,004	**44,300**	11,735	11,429	**23,164**
g	EBITDA (d-e-f)	4,296	4,762	4,505	5,476	**19,039**	5,777	5,433	**11,210**
h	Depreciation, amortisation and impairment	1,494	1,473	2,336	2,587	**7,890**	1,526	1,562	**3,088**
i	EBIT (g-h)	2,802	3,289	2,169	2,889	**11,149**	4,251	3,871	**8,122**
l	Gains (losses) from financial assets/liabilities	(237)	(756)	(169)	(1,238)	**(2,400)**	(319)	(91)	**(410)**
m	Gains (losses) from shareholdings valued at equity	(6)	(69)	58	173	**156**	(37)	(57)	**(94)**
n	Profit (loss) before tax (i±l±m)	2,559	2,464	2,058	1,824	**8,905**	3,895	3,723	**7,618**
o	Taxes	(751)	171	(419)	(1,229)	**(2,228)**	(1,285)	(1,397)	**(2,682)**
p	Result from operating activities (n±o)	1,808	2,635	1,639	595	**6,677**	2,610	2,326	**4,936**
q	Net Profit (loss) from assets held for sale	0	0	0	187	**187**	(414)	(461)	**(875)**
r	Group net profit (loss) (p±q)	1,808	2,635	1,639	782	**6,864**	2,196	1,865	**4,061**

2. Consolidated income statement by quarter – excluding non-recurring items

	(EUR / 000)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	TOT 2017	Q1 2018	Q2 2018	TOT 2018
a	Revenues	32,278	32,772	29,101	34,488	**128,639**	34,717	35,543	**70,260**
b	Increases for internal work	168	142	113	187	**610**	365	256	**621**
c	Consumption of materials and products	11,121	11,446	9,600	11,578	**43,745**	11,505	12,629	**24,134**
d	Added value (a+b-c)	21,325	21,468	19,614	23,097	**85,504**	23,577	23,170	**46,747**
e	Other operating costs	5,584	5,744	5,220	5,617	**22,165**	6,065	6,308	**12,373**
f	Personnel costs	11,124	10,962	9,889	12,004	**43,979**	11,735	11,429	**23,164**
g	EBITDA (d-e-f)	4,617	4,762	4,505	5,476	**19,360**	5,777	5,433	**11,210**
h	Depreciation, amortisation and impairment	1,494	1,473	2,336	2,587	**7,890**	1,526	1,562	**3,088**
i	EBIT (g-h)	3,123	3,289	2,169	2,889	**11,470**	4,251	3,871	**8,122**
l	Gains (losses) from financial assets/liabilities	(237)	(756)	(169)	(1,238)	**(2,400)**	(319)	(91)	**(410)**
m	Gains (losses) from shareholdings valued at equity	(6)	(69)	58	173	**156**	(37)	(57)	**(94)**
n	Profit (loss) before tax (i±l±m)	2,880	2,464	2,058	1,824	**9,226**	3,895	3,723	**7,618**
o	Taxes	(751)	171	(419)	(1,229)	**(2,228)**	(1,285)	(1,397)	**(2,682)**
p	Result from operating activities (n±o)	2,129	2,635	1,639	595	**6,998**	2,610	2,326	**4,936**
q	Profit (loss) from assets held for sale	0	0	0	187	**187**	(414)	(461)	**(875)**
r	Group net profit (loss) (p±q)	2,129	2,635	1,639	782	**7,185**	2,196	1,865	**4,061**

3. Exchange rates used to translate the financial statements of foreign companies

End-of-period exchange rates

Currency	30 June 2018	31 December 2017	30 June 2017
Swiss franc	1.1569	1.1702	1.0930
Pound sterling	0.8861	0.8872	0.8793
US dollar	1.1658	1.1993	1.1412
Brazilian real	4.4876	3.9729	3.7600
Chinese renminbi	7.7170	7.8044	7.7385
Indian rupee	79.8130	76.6055	73.7445
Turkish lira	5.3385	4.5464	4.0134

Average exchange rates in the period

Currency	2018	2017	2Q 2018	2Q 2017
Swiss franc	1.1697	1.1116	1.1744	1.0835
Pound sterling	0.8797	0.8762	0.8761	0.8603
US dollar	1.2108	1.1293	1.1922	1.1003
Brazilian real	4.1413	3.6041	4.2925	3.5331
Chinese renminbi	7.7100	7.6264	7.6050	7.5494
Indian rupee	79.5123	73.4980	79.8680	70.9498
Turkish lira	4.9551	4.1214	5.2192	3.9389

4. List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Gefran UK Ltd	Warrington	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Saint-Priest	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux NV	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc	Winchester	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	BRL	450,000	Gefran S.p.A.	99.90
					Gefran UK	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Gefran UK	5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (PRC)	RMB	1,005,625	Gefran Siei Asia	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd Sti	Istanbul	Turkey	TRY	1,030,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00

5. List of companies consolidated at equity

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Ensun S.r.l.	Brescia	Italy	EUR	30,000	Gefran S.p.A.	50
Bs Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	1,000,000	Ensun S.r.l.	50
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Ensun S.r.l.	50
Axel S.r.l.	Dandolo	Italy	EUR	26,008	Gefran S.p.A.	15

6. List of other subsidiaries

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Colombera S.p.A.	Iseo	Italy	EUR	8,098,958	Gefran S.p.A.	16.56
Woojin Plaimm Co Ltd	Seoul	South Korea	KRW	3,200,000,000	Gefran S.p.A.	2.00
UBI Banca S.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 OF 14 MAY 1999 AS AMENDED

The undersigned **Alberto Bartoli**, in his capacity as Chief Executive Officer, and **Fausta Coffano**, in her capacity as Executive in charge of financial reporting of Gefran S.p.A. hereby certify, with due regard for the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy, with respect to the Company's characteristics,

  and

- the effective application of the administrative and accounting procedures applied in the preparation of the consolidated financial statements in the first half of 2018.

There are no significant events to report in this regard.

They further certify that:

1. the condensed half-yearly financial statements:

- were prepared in accordance with applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to entries made in accounting ledgers and records;
- provide a true and accurate representation of the financial situation of the issuer and all companies included in the scope of consolidation.

2. The Report on Operations contains a reliable analysis of operating performance and results and of the condition of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Provaglio d'Iseo, 02 August 2018

The Chief Executive Officer

Alberto Bartoli

The Executive in charge of financial reporting

Fausta Coffano

EXTERNAL AUDITORS' REPORT

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REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
GEFRAN SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of GEFRAN SpA and its subsidiaries (the GEFRAN Group) as of 30 June 2018, comprising the statement of profit/(loss) for the period, the statement of profit/(loss) for the period and other items of comprehensive income, the statement of financial position, the consolidated cash flow statement, the statement of changes in shareholders' equity and related notes. The directors of GEFRAN SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the GEFRAN Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Brescia, 3 August 2018

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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